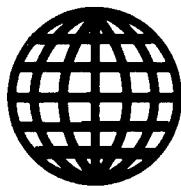


16 JUNE 1992



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**Trade Union Head Delivers Labor Day Speech**  
*HK1805045692 Beijing RENMIN RIBAO in Chinese*  
*30 Apr 92 p 4*

[By Ni Zhifu (0242 1807 4395): "Further Display Role of Working Class as Main Force in Deepening Reform and Opening Still Wider to Outside World—Speech Delivered on 29 April 1992 at Meeting To Mark 1 May International Labor Day"]

[Text] Comrades and friends:

We are holding a grand rally here today to mark the 1 May International Labor Day, a brilliant festival of the working class and laboring people all over the world. Entrusted by the CPC Central Committee and State Council, I would like to extend my cordial regards and festival greetings to the people of all nationalities throughout the country, workers, peasants, intellectuals, laboring masses, labor models on all fronts, advanced workers and collectives, representatives of the national labor models and those winning the honor of the 1992 national "1 May Labor Medal" and "1 May Certificate of Merit" who have come to attend today's meeting, the People's Liberation Army, armed police officers and men, workers in Taiwan, Hong Kong, and Macao, laboring masses of all circles, and the patriotic compatriots residing abroad.

Just now Li Peng, Yao Yilin, Li Ruihuan, Wu Xueqian, Ding Guangen, and other central leading comrades cordially met with the representatives of the national labor models and those winning the "1 May Labor Medal" and "1 May Labor Certificate of Merit." On behalf of the CPC Central Committee and State Council, Comrade Li Peng delivered a speech, cherishing ardent expectations of the working class.

Comrades and friends, since the Third Plenary Session of the 11th CPC Central Committee, China's working class and the people of all nationalities have resolutely implemented the party's basic line in the initial stage of socialism, taken economic construction as the central task, upheld the four cardinal principles and adhered to reform and opening up, firmly advanced ahead along the road of building socialism with Chinese characteristics, and attained world-acknowledged achievements in the socialist modernization program. China's national economic and social cause has developed comprehensively, new steps have been taken in reform and opening up, the political situation of stability and unity has been further consolidated, the task of the three-year economic improvement and rectification has been fulfilled successfully, gratifying progress has been made in the first year of the Eighth Five-Year Plan and 10-Year Program, and the economic situation is continuously developing in a favorable direction. With the enhancement of overall national strength and the pursuit of an independent and peaceful foreign policy, China's status is escalating in international affairs, creating a fine external environment for its socialist modernization program. Under such a situation, Comrade Deng Xiaoping scientifically

summed up the practical experience of the decade-long reform and opening up from the high plane of history and the overall situation, penetratingly expounded a series of major issues by integrating theory with practice, and called on the whole party and nation to unswervingly implement the party's basic line, further emancipate their minds, seize the current favorable opportunity, accelerate the pace of reform and opening up, concentrate energy to boost economic construction, and advance along the road of socialism with Chinese characteristics. Comrade Deng Xiaoping's important talks represent the fundamental interests and eager desire of China's working class and laboring masses, winning nationwide warm support. At present, the domestic situation is excellent and the international environment is to our advantage. Opportunity knocks but once. In the face of the new situation, the broad ranks of workers and staff members throughout the country should earnestly study and implement the spirit of Comrade Deng Xiaoping's important talks and the plenary session of the CPC Central Committee Political Bureau, continue to implement the party's basic line for 100 years without hesitation, vigorously plunge into the cause of reform and opening up with a strong sense of the era, urgency, and responsibility in light of the plans of the Fifth Session of the Seventh National People's Congress [NPC], speed up national economic development, and give full play to the role of the working class as the main force in attaining the second-step strategic objective of the socialist modernization program.

The fundamental task of socialism is to free and develop the productive forces. We should always focus on economic construction. All work should be subordinate to and serve this central task, and no interference in this regard should be allowed. Thanks to our economic development and improved people's living standards, we could withstand the test of the stern situation at home and abroad in recent years. From a long-term point of view, only by focusing on economic construction, developing the national economy, enhancing the overall national strength, continuously improving the people's living standards, and making the country more powerful can we fully display the superiority of the socialist system and can we become invincible. The working class is the leading class of the country, is the representative of advanced productive forces and production relations, and is the basic force promoting economic development and social progress. Under party leadership, the workers and staff members throughout the country should firmly grasp the central task of economic construction, make unremitting efforts, do solid and hard work, and make new contribution to accelerating national economic development and promoting all-round social progress.

Reform is aimed at improving the socialist system. The purpose of reform is to smash the old structure which hindered the development of productive forces, establish a new mechanism with vigor and vitality, and free and develop the productive forces. Reform and opening up is the cause of the masses of people. The working class is

the performer and main force of reform and opening up. Of all factors of the productive forces, man is the most active and dynamic factor. In all reform undertakings, it is necessary to consistently implement the party's guiding principle of wholeheartedly relying on the working class, attach great importance to and give full play to the decisive role of man in the development of productive forces, earnestly ensure the status of the working class and masses of the people as masters of their own affairs, and fully arouse and give full play to their enthusiasm, initiative, and creative spirit. This is the objective requirement of reform, the political superiority of socialism, and the key determining the success of reform and emancipation of productive forces. The ongoing reform of the cadre, personnel, labor, employment, and wage distribution systems is imperative as it constitutes an important content of deepened enterprise reform and a change effected in operation mechanism. The essence of the reform is to arouse the enthusiasm of the broad ranks of workers and staff members and foster a sense of being masters of their own affairs through the establishment of a new mechanism, increase the cohesive force of enterprises, instill vigor and vitality into enterprises, and increase their economic efficiency. In the entire process of reform, which include the drafting of plans and measures for various reforms, it is necessary to fully arouse the masses to take part in reform and let the masses of workers emancipate themselves and organize themselves to fight for their own interests with the historical initiative spirit. By judging between right and wrong, determining policies, and weighing pros and cons with the criteria put forward by Comrade Deng Xiaoping, that is, whether it is conducive to the development of the productive forces of a socialist society, to enhancing the overall national strength of a socialist country, and to improving the people's living standards, it is necessary to carry forward the spirit of vigorously advancing and forging ahead, dare to blaze new trails and carry out experiments, and accelerate the pace of socialist commodity economic development. As reform will inevitably involve readjustment of interests, it is necessary to correctly handle the relations of interests between the state, enterprises, and workers. The broad ranks of workers and staff members should carry forward the fine tradition of selflessness of the working class and ensure that the individual interest is subordinate to that of the state, partial interest is subordinate to that of the whole, and immediate interest is subordinate to long-term interest. We should fully understand that reform represents the fundamental interests of the working class, have a stronger sense of reform and opening up, and make concerted efforts with the party and government to push reform forward. Reform is an arduous task which requires the resoluteness of blazing new trails as well as a scientific and realistic spirit. The leaders at all levels should carry out in-depth investigations, think earnestly, make scientific explorations, determine policies democratically, work out plans carefully, and be good at summing up experience. Regarding reform which involves the interests of the workers and staff members, it is necessary to extensively listen to the views

of the masses of workers, enthusiastically do meticulous work, and ensure that overall arrangements are made appropriately, that reform is gradually spread after experiments conducted at selected points, and that it is continuously improved in practice. Reform is complicated systems engineering. The deepening of enterprise reform cannot be carried out without a change effected in the functions of government departments, without the development of a socialist market system, without improvement in the social insurance system, and without readjustment of the industrial structure and product mix. All the reform measures should be comprehensively devised and carried out in a coordinated manner. While deepening reform, we should open up wider to the outside world, boldly absorb and draw on all the civilized achievements created by human society, and absorb and draw on the advanced operation and management methods of the world, including the developed countries in the West, to speed up China's economic development.

Science and technology constitute the primary productive force. To expedite economic development, we must rely on science, technology, and education. It is necessary to foster a mood of respecting knowledge and qualified personnel in society, pay attention to training and development of qualified personnel, give full play to the role of science and technology in economic construction, and genuinely bring economic work onto the track of relying on scientific and technological progress and improving the qualities of laborers. The broad ranks of workers and staff members should consciously uphold the principle of economic construction relying on science and technology and scientific and technological work catering to economic construction, bring about an organic combination of science and technology and economy, and turn scientific and technological achievements into productive forces as quickly as possible.

We are facing the historic task of comprehensively upgrading the political, ideological, scientific, cultural, and technological qualities of the ranks of China's workers and staff members and accelerating the pace of intellectualizing the working class. With the rapid development of the socialist commodity economy in China, the gap between physical and mental labor is being narrowed. As a result, the task of intellectualizing the laboring masses has become increasingly pressing. The broad ranks of workers and staff members should continuously acquire new knowledge, master new technology, and comprehensively improve their qualities to meet the objective requirements of economic development. Based on one's own job and through on-the-post training, mutual aid and mutual study, and self-study, we should launch a new drive of acquiring knowledge and learning science and technology. All social circles should proceed from various aspects to offer support and create conditions for workers and the masses to acquire knowledge and learn technology. As a component part of China's working class, intellectuals who master more advanced science and technology have a special, important status and role in improving the overall qualities of

the ranks of workers and staff members and accelerating the pace of intellectualizing the working class. The broad ranks of intellectuals should clearly understand their great historic mission. While plunging themselves into the main battlefield of economic construction, they should try to integrate themselves with the workers and peasants through various means, work hard to spread advanced scientific and cultural knowledge, and make unremitting efforts to comprehensively improve the overall qualities of the ranks of workers and staff members. Among the workers and staff members, the physical and mental laborers should respect each other, help and learn from each other, learn from each other's strong points to offset their weaknesses, and make common progress. The mental and physical laborers who have made outstanding contributions to economic development and social progress should be rewarded.

Agriculture is the foundation of economic development, social stability, and state independence. The working class should use advanced ideological culture, science, technology, and manufactured goods to support agriculture, promote development of township enterprises and rural commodity economy, support the broad ranks of peasants in taking the socialist road of common prosperity, and further consolidate the worker-peasant alliance.

In the building of socialism with Chinese characteristics, it is necessary to stick to the principle of doing two types of work: Paying attention to the building of material civilization on the one hand and spiritual civilization on the other; and adhering to reform and opening up on the one hand and attacking all kinds of criminal offenses on the other. We should be tough at both rather than being tough at one but soft at the other. China's working class is the main force for the building of socialist material and spiritual civilization. The working class should seriously study Marxism-Leninism-Mao Zedong Thought and the party's basic line, vigorously carry forward the spirit of patriotism, collectivism, and socialism, and use the advanced thinking of the working class to occupy the front. It is necessary to enhance professional ethical building and use the moral values and fine tradition of selfless dedication and building an enterprise through arduous efforts of China's working class to influence and bring along society as a whole. The working class should vigorously take part in the drive to comprehensively improve social order, support the government in attacking all kinds of economic and criminal offenses, and wipe out ugly practices of every description. It is necessary to give full play to the role of democratic supervision, cooperate with the party and government, resolutely check unhealthy trade tendencies, strengthen the building of clean administration, and further improve socialist democracy and legal system.

Under the leadership and concern of the CPC Central Committee, the new "PRC Trade Union Law," which has been examined and adopted by the Fifth Session of the Seventh NPC, has been promulgated for implementation. This is a great event in China's political life as

well as a major event longed for by the broad ranks of workers and trade union workers. The promulgation and implementation of the new "Trade Union Law" will be of great immediate and far-reaching historic significance to giving full play to the role of the working class as the main force, fully arousing the enthusiasm and creativity of the masses of workers and further developing the cause of the trade unions, and promoting China's economic construction, reform, and opening up. The promulgation of the new "Trade Union Law" indicates the new progress made in the building of China's socialist democracy. It shows that China's trade union work has entered a new stage. With the Constitution as the foundation, the new "Trade Union Law" upholds the party's basic line, implements the party's guiding principle of wholeheartedly relying on the working class, fully reflects the status of the working class as masters and the leading class of the state, indicates the basic tasks of the trade unions in the new period, and embodies the basic features of the socialist workers movement and trade union work with Chinese characteristics. Regarding the criterion for trade union activities, the new "Trade Union Law" upholds the party's unified leadership over the trade unions and the independent and creative work carried out by the trade unions according to laws and regulations. Regarding the main tasks of the trade unions, the law upholds integration and organic combination of the safeguarding, building, participating, and education tasks. Regarding the guidelines for the trade unions, the law safeguards the legitimate rights and interests of workers based on safeguarding the overall interests of the people of the whole country. Regarding the organizational principle of the trade unions, the law upholds the system of democratic centralism to ensure unity and unification of the working class and trade unions. Regarding the administrative relations between the trade unions and the government, enterprises, and institutions, the law calls for mutual respect and support based on their coinciding fundamental interests. Suited to the new situation, the new "Trade Union Law" codifies the nature, status, tasks, norms of activities, organizational principles, and rights and obligations of the trade unions. In the social environment of reform and opening up, the law offers perfect legal grounds for trade union work, creates a fine social environment for trade unions to play a better role in the state's political, economic, and social activities, and sets high and new requirements for trade unions. The tasks of the trade unions are more arduous and their responsibilities greater. At present, the trade unions at all levels are facing an important task: Under the leadership of the party committees at all levels, they should study, publicize, and implement the new "Trade Union Law," combine it with the study, publicity, and implementation of the Constitution, the "Enterprise Law," and the "Law for Ensuring the Legitimate Rights of Women," and include the two into the plan for popularizing law. The lofty ideas of labor models and advanced figures represent the spiritual outlook and direction of the times. It is necessary to continue to vigorously publicize the exemplary deeds of labor models and advanced

figures, learn from their examples, carry out the activities of "emulating and catching up with the advanced," and give full play to their exemplary role as backbone and bridges. It is necessary to foster a mood in the entire society of emulating, respecting, showing concern for, and cherishing labor models and advanced figures. Labor models and advanced figures should be prudent, guard against arrogance, continue to carry forward the good style of taking root among the masses, work with the broad ranks of workers, and make new contributions to deepening reform, opening up wider to the outside world, accelerating national economic development, and promoting all-round social progress.

The current international situation is undergoing the most drastic changes since World War II. The old world structure has come to an end and a new one is yet to take shape and is developing toward multipolarization. Various forces of the international trade union movement are undergoing turbulence, division, and reorganization. Peace and development are still the two major issues facing the world today, which are to be maintained and resolved with the sustained efforts of the people of all countries. Chinese trade unions will resolutely implement the principle of independence and maintaining extensive contacts, develop ties and cooperation with the trade unions of all countries based on the principles of independence, equality, mutual respect, and noninterference in each other's internal affairs, and fight for the common cause of "peace, development, workers' legitimate rights" and establishment of a new order for the international trade union movement. We hold that trade unions of all countries, big or small, are independent and equal. They have the right to choose their own development patterns and determine their own policies in light of their national conditions and the aspirations of the masses of workers. The trade unions of all countries have

the right to take part on an equal footing in the consultations and settlement of affairs concerning the international workers' movement, which should not be monopolized by a few large trade unions or certain international trade unions. The trade unions of all countries should respect each other, seek common ground while reserving differences, treat each other as equals, cooperate with and benefit each other, and unite to support a just cause. We should further strengthen our ties with the trade unions of neighboring countries and of Third World nations, pay attention to our ties with the trade unions of the developed nations at the same time, and vigorously take part in multilateral activities. Based on the principle of "nonsubordination, mutual respect, and noninterference in each other's internal affairs," we will further enhance our ties with the trade unions in Hong Kong and Macao. Exchanges and contacts with Taiwan labor circles will be carried out unswervingly in accordance with the principle of "peaceful reunification and one country, two systems."

Comrades and friends, no matter how the international situation changes and how tortuous the road is, China and the world are making progress. The historical trend is irresistible and the future of mankind is bright. We believe that the Chinese working class has lofty ambitions and the ability to shoulder its historical responsibility, cooperate with the people of all nationalities throughout the country, rally closer around the CPC Central Committee with Comrade Jiang Zemin as the core, follow the socialist road with Chinese characteristics initiated by Comrade Deng Xiaoping, give full play to its role as the main force, work hard with one heart and mind, strive to do the things of China well, and make greater contributions to the revitalization of the Chinese nation, to the great cause of reunification of the motherland, and to world peace, social development, and human progress!

## NATIONAL AFFAIRS, POLICY

## BAN YUE TAN on Awareness of Science

OW0306150792 Beijing BAN YUE TAN in Chinese  
No 9, 10 May 92 pp 4-5

[Semimonthly commentary by unidentified staff commentator: "An Increasing Awareness of Science and Technology"]

[Text] More and more people in China are recognizing the significance of science and technology as the primary productive force. Science and technology are playing a powerful role in propelling the economic takeoff of small and large urban enterprises as well as hundreds of thousands of farm households. Science and technology have become hot topics for discussions in newspapers, meetings, and conversation. All these manifest an increasing awareness of science and technology.

As we often say, the awareness of science and technology means the concept of science and technology, or the weight and position of science and technology in people's mind and real life, and the recognition and application of science and technology by people. If the entire country is profoundly aware of the need of relying on science and technology in economic construction, and of the vital bearing of science and technology not only on the national strength but also on the success or failure of enterprises, the quality of their products, and their competitiveness and efficiency, then people will naturally attach a genuine importance to science and technology and will foster a pressing sense of cherishing knowledge and talented personnel.

We are living in an age in which science and technology advance by leaps and bounds and transform rapidly into real productive forces. In developed countries, 60 to 80 percent of the fruits of research projects have been applied to production. With the development of high-technology, the effect of science and technology on the three productive elements (work force, labor instrument, and labored items) has been further enhanced from mathematical to geometrical multiplication, or has been not only doubled and redoubled but also increased by exponential multiplication. We can say without exaggeration that the development of science and technology is directly affecting the balance of global powers, changes of the global structure, production and life style of society, and people's thinking and concept.

To realize the splendid goal of a relatively comfortable life in the 1990s, China must focus its attention on developing the economy and strive to scale a new height in a few years. To this end it is necessary to rely on science and technology and to improve the quality of the work force for economic development. Unless we attach great importance to and energetically promote science, technology, and education, our country will have no future and will be in a passive position in the global competition for comprehensive national strength. Facts

have testified that whoever gains the initiative in developing science and technology will be the leader in economic development. Generally speaking, we are somehow belatedly aware of the importance of science and technology. All people with courage and insight must promote science and technology. To rejuvenate China through reform as well as science and technology should become the slogan of our action.

Encouraged by Comrade Deng Xiaoping and the central authorities, news about efforts to promote science and technology has been successively reported recently in Beijing and other parts of the country. The State Council promulgated the "national intermediate and long-range program for developing science and technology"; the Chinese Academy of Sciences convened the sixth congress of academic council members; the China Association for Science and Technology held the first annual symposium of young scientists; and many local party committees and governments formulated plans for invigorating provinces and industries with science and technology and adopted decisions to reward meritorious scientists and technicians. All these are heartening signs.

Comrade Deng Xiaoping long put forward the thesis that science and technology constitute a primary productive force. We must translate his thesis into concrete action so science and technology can really become the primary productive force.

Are not many of our enterprises troubled by their efficiency and product quality? To reform the structure and strengthen the management is one way, and to attach great importance to developing science and technology is another important way for raising quality and performance. In the fierce competition for products in today's world markets, without the backing of proficient scientific researchers it is impossible to manufacture top-rate products for beating other powerful rivals. By the same token, we must rely on science and technology to increase output, improve the seeds, and raise the efficiency of agriculture.

Do we not often stress the need of building up the stamina for future economic development? When we talked about stamina in the past, it was the potential and superiority in energy, transportation, and other natural resources that first came into our minds. Of course these are important. However, we should by no means neglect science and technology. Without a strong contingent of scientists and technicians in conducting research, it is difficult to build up great stamina.

Awareness of science and technology alone is not enough. We must work hard and earnestly in promoting science and technology as the primary task. The achievement in developing science and technology should be an important criterion for evaluating the work of leading departments and the actual performance of cadres at all levels. This is the most important concrete service which we can render the country and people and benefit the future generations immensely.

To promote science and technology we must first train more scientific and technological personnel. We should not merely pay lip service to or pass resolutions on respecting learning and professionally trained people; rather, leadership at all levels and various departments should adopt effective measures to improve the working and living conditions of scientific and technological personnel, respect their work and their suggestions, protect intellectual property rights, and create the conditions for them to make the most of their talents in the economic battlefield.

In promoting science and technology, we must pay attention to turning advances in science and technology into productive forces as quickly as possible. Scientific and technological research units and personnel should produce more and better results in this spring of science and technology; production units should transform as quickly as possible the inventions and discoveries—the fruits of scientific and technological personnel's hard work—into products that will benefit the country and the people, make inroads into the international market, and create solid economic benefits. To achieve this we must carry out a series of reform. In the 1990s—the turn of the century and a historic period for China's reform and opening up—China must greatly enhance its awareness of science and technology. The earlier we start, the quicker we will gain the initiative; the more efforts we put into it, the greater the benefits. We cannot afford hesitation or delay any more. We must, with perseverance and a passion to win honor for our socialist homeland, to gain initiative in science and technology in the 21st century and seize a commanding height in world science and technology. With this heavy historic responsibility on their shoulders, scientific and technological personnel are duty-bound to forge ahead courageously. China must develop new and high-technology and must develop knowledge-intensive industries that hold great future. The higher and newer the technology, the greater the benefits for the nation and people.

Heightened awareness for science and technology is the hope of the country and the nation. Fast development in science and technology will enable China to step into the 21st century as a power to be treated with greater respect by the whole world.

### Symposium Discusses Developing Tertiary Industry

92CE0445A *Beijing JINGJI RIBAO* in Chinese  
18 Apr 92 p 3

[Article by Shen Bonian (3088 2672 1628), Chen Yongjie (7115 3057 2638) and Hu Jian (2073 0256): "Summary of Symposium on Growth and Development Policy for China's Tertiary Industry"]

[Text] "The Symposium on Growth and Development Policy for China's Tertiary Industry" jointly sponsored by the State Council's Research Office, the State Council Administrative Office General Department and the

Center for Evaluation of Chinese Enterprises' Global Management, was held recently in Beijing. Many constructive views were advanced at the symposium after summarizing experiences to develop China's tertiary industry, and exploring continuing reform, and ways to accelerate the growth and development of tertiary industry.

#### Accelerating development of the tertiary industry is of great importance at present and in the decade of the nineties.

First, accelerating development of the tertiary industry can effectively promote national economic industrialization and modernization. Historical experiences demonstrate that in the process of industrialization, the rise and rapid development of tertiary industry were not only the result but an important cause of industrialization. The rise of newly emerging industry symbolized by computerization and information technology leads the modernization process, brings about great changes in the social productive structure, and in and of itself constitutes the basic content of modernization.

Second, accelerating the development of tertiary industry can effectively raise the people's standard of living and improve the quality of life.

Third, accelerating the development of tertiary industry can effectively broaden the scope of employment. At present, about one-fourth of those employed in industrial enterprises, or some 10 million workers, and close to 100 million workers in rural areas may be considered surplus labor. Tertiary industry includes many trades, is highly labor-intensive, has low labor costs, and employs a large number of people. Therefore, along with raising labor productivity in primary and secondary industries, we must rely on vigorous development of tertiary industry to solve the problems of employment for existing surplus labor in our cities and towns and for young people entering the labor force for the first time.

Fourth, accelerating development of the tertiary industry will help intensify reform in the systems of labor use, wage distribution, social welfare, and labor valuation. At the same time, it can create better conditions for further opening up to the outside.

#### To accelerate the growth and development of tertiary industry, we should further intensify reform and perfect all aspects of the policy.

First, we should change our ideas, and fully recognize the meaning and role that developing tertiary industry has on national economic modernization. Of special concern is the question of growth rate in tertiary industry. According to the Eighth Five-Year Plan and requirements of the 10-Year Development Program, the rates of growth for the next 10 years in primary, secondary and tertiary industries are projected at 3.5 percent, 6.5 percent and 9 percent respectively. By the year 2000, the total output value of tertiary industry should have grown from the present one-fourth to around one-third of gross

national product (GNP). In 1991, the GNP grew by 7 percent over that of the year before, agriculture grew 3 percent, industry 14 percent, but tertiary industry only 5.3 percent, which is lower than the projection in the Eighth Five-Year Plan. To change this kind of situation, concerned departments and regional governments should make tertiary industry a part of their planning goals, and in the areas of capital, materials, communications and transportation, take appropriate actions to ensure that the goal of growth of tertiary industry is realized.

Second, we need to regulate the relationships among primary, secondary and tertiary industries, and make corresponding adjustment in the internal composition of tertiary industry. While we vigorously develop the basic sectors of communications, transportation, postal and telecommunications, we should give emphasis to developing trades and occupations that serve production and people's livelihood. These include the traditional service trades such as commerce, finances, trade, materials, storage, food services, as well as the newly emerging service trades of insurance, information, tourism, and housing and land management.

Third, government departments in charge of tertiary industry should change their functions to achieve the separation of government and enterprise. In the basic trades related to the people's livelihood, while strengthening macroeconomic regulation and control gradually increase the share of market guidance. For other trades, particularly those which serve people's livelihood, they should gradually be regulated by the market, with concerned departments exercising indirect management so enterprises, facing the market, can develop and become strong through competition.

Fourth, we should fully coordinate initiatives of all parties to start tertiary industry. Aside from trades which are important to government planning and people's livelihood, we should encourage groups, individuals and private enterprises to start and manage service trades, and enlarge their scope of operation. We should encourage and protect foreign-funded enterprises to develop tertiary industry in important sectors such as communications, transportation, finances, and trade. We should also introduce a system of competition and break up monopolies.

Fifth, we should fully develop the valuation regulations and adjustment mechanisms, and gradually open up and invigorate the valuation of tertiary industry. We should proceed to assign value to tertiary industry in terms of categories. The first category consists of trades with monopolistic tendency as they relate to government planning and people's livelihood, and the government will continue to set prices, but adjust them from time to time according to costs and supply and demand changes. A second category consists of predominantly consumption-oriented trades, such as housing, communications, food, medical and health care, etc., that should combine uniform prices and fluctuating prices, with the latter as

the guide. The third category consists of service trades that have low consumption expenses and newly emerging service trades, such as maintenance, resident services, information and technical services, etc. Prices should be completely open, and left to market determination.

Sixth, we should vigorously raise the socialized standards of tertiary industry. First, we should gradually move the service trades out of the various departments and enterprises and make them available to society so that all the "large and comprehensive" or "small and comprehensive" units can serve the society as a whole. Next, we should establish and perfect consolidated socialized service systems for cities and towns. In cities, in terms of organizational management and distribution network, the goals of production and service trades should be to serve a system that extends to all in the society. In rural areas, while we vigorously push forward unified supply and marketing services, we should also gradually promote socialized services for peasants' livelihood.

Seventh, we should put the question of internationalizing tertiary industry on the agenda for discussion. The directions for our efforts are: To establish certain international cities based on tertiary industry; organize certain large-scale enterprise groups or multinational companies that combine technology, industry, trade, and finances and break into the world market, and step-by-step develop and manage tertiary industry based on international practices.

**'Opening Up' Linked to Emancipation of Mind**  
HK1805151492 Beijing JINGJI RIBAO in Chinese  
21 Apr 92 p 3

[Article by Fang Sheng (2455 3932): "Expanding Opening Up Needs Further Emancipation of Mind"]

[Text] The central authorities set forth, while intensifying reform, that it is imperative to further extend opening up under the condition of the basic fulfillment of improvement and rectification. This being the case, greater progress will eventually be made in developing foreign economic and technological exchanges and cooperation, utilizing foreign investment as well as the importation of technology and qualified people.

To extend opening up, the urban and rural populace, all departments and localities, all enterprises and institutions across China are mobilized, with the situation most pressing, while urging people to go all out to make progress. However, some people have doubts and worries of various descriptions under such a fine situation.

First, some people worry whether or not conditions have been taken into consideration in such a fast-paced opening up, and whether or not it will be a rash advance. Such worry is understandable because there actually were mistakes arising from deviation from China's national condition in our economic life, such as "the

## ECONOMIC

Great Leap Forward," and "the import-driven big leap forward" [yang yue jing 3152 6460 6651], which cannot but rouse people's vigilance. The story is, today's situation is greatly different from the past. The tremendous changes caused by opening up over the past dozen years or so have led to profound changes in people's ideological concepts, and the party's basic line has increasingly struck deeper in people's minds and been converted into a powerful spiritual force; whereas great accomplishments have been scored in economic restructuring, with many experiences accumulated. Especially, reform has been implemented in the economic structure involving foreign economic relations, such as the foreign trade structure to various degrees; and the enthusiasm and initiatives of localities, enterprises, and related units in developing foreign economic relations have been given play. The development in the world situation, especially the economic development in the Asia-Pacific region, has provided favorable external conditions for China's opening up. All this shows that our call for further extending opening up is based on favorable internal and external and subjective and objective conditions, and truth-seeking at that. As to the so-called rash advance, that calls for concrete analysis. Blind "rash advance" regardless of conditions should be opposed, whereas the spirit of taking "risks" involved in bold experiments and courageously blazing new trails should be advocated. If no risks are taken in reform and opening up, while requiring a sure and steady step in everything, nothing can be accomplished. When we stress stability, it refers to political, economic, and social stability in their entirety. We do not want turmoil, but a stable situation, which is the prerequisite for implementing reform and opening up. From another angle, only by being bold at breaking with outmoded conventions and blazing new trails in reform and opening up, emancipating and developing the productive forces, when the people obtain substantial benefits with their living standards improved on the basis of developing production, will it be possible to have a genuinely stable situation. Of course, the better the situation is the more we should sustain our sobriety, and that is a profound lesson learned at great cost. However, regarding things we are sure of, we must be bold at experimenting, and cannot afford to lose time and opportunity.

Second, some people set imports against the protection of national industry, while worrying the former will ruin the latter. Here, the question of how to view the development of the national industry is involved. China remains a developing country; our national industry, which is not very powerful in its economic strength, beyond a doubt, should be protected. For example, we should restrict the import of products with technological requirements not that advanced which China can turn out. When we say exchanging the market for technology, we refer to advanced technology and not the ordinary type. Nevertheless, the purpose of protection is for development, and not protecting backwardness. Through importing foreign advanced technology and equipment, our enterprises at home are enabled to see

the gap between them and their foreign counterparts, while promoting them to catch up with foreign countries with a sense of pressure. Many of our enterprises have developed through importing and digesting foreign advanced technologies while continuously blazing new trails. True, it is wrong to blindly import foreign things by taking advantage of opening up, but it is likewise wrong to refuse to import advanced technology and equipment under the pretext of protecting national industry.

Third, some people worry that too rapid a rate in utilizing foreign investment will lead to foreign-funded enterprises pounding at the guiding role of socialist public ownership; consequently, they dare not give a free hand to absorbing foreign investment. Encouraging foreign businessmen to invest in China to run enterprises is an important aspect of opening up, and is favorable to urging us to work hard to improve the investment climate, to learn from foreign experience in scientific management and to master advanced technology to augment some weak links in our national economy. This being the case, we should not hesitate and waver in continuing to utilize foreign investment from now on. Furthermore, China has just begun to utilize foreign investment; the amount is insignificant, and we shall continue to develop in this area. China implements the socialist economic system with public ownership as the main body; even if foreign-funded enterprises develop further, they can only be in a subordinate, complementary position. In respect of this economic factor, we should not take a laissez-faire attitude, but adopt economic, legal, and administrative means to include it on the track of development within the bounds of policy, making it serve, and be used by, China.

Facing the new situation of further extending opening up, a basic issue is to continue to emancipate the mind and adhere to the principle of seeking truth from facts. Here, an important point is to correctly regard capitalism in opening up, especially the need to eradicate some people's fear of capitalism. For example, the belief that utilizing foreign investment would lead to surrendering a country's sovereign rights on humiliating terms, the belief that allowing foreign businessmen to invest in China will lead to capitalism running amok, the belief that the pursuit of the joint-stock system equates to the pursuit of capitalist private ownership, and so forth. The appearance of such a condition is not accidental, but has profound roots.

From the angle of its historical roots, old China had for a long time suffered from imperialist bullying and oppression. One historical scene after another of being bullied and humiliated written in blood and tears are still fresh in the Chinese people's memories. As a result, some of us are laden with anxieties when we deal with foreign capitalism, lest we should come to grief. However, things have changed. There actually was an "open door" period in Chinese history, but China was forced into it under imperialist pressure. In those areas where the door was opened, imperialists could do as they pleased and

stopped at nothing in doing evil, whereas China's sovereignty was trampled and her dignity lost. On the contrary, our opening up today is implemented on our own under the historical condition of the Chinese people being the country's masters. When foreigners come to China to invest or travel or for general exchanges, they have to observe Chinese laws and would be punished according to the laws should they violate them. How can things be dreadful under such a condition?

From the angle of its ideological roots, aside from "leftist" ideological effects, it is mainly onesidedness in the way of thinking. Why is it that in opening up some people are always afraid of the negative effects of capitalism and shrink from bold experiments, while refraining from giving full play to our advantages, doing their best to expand the effects of socialism in the world? Is it not true that the brilliance of socialism in China's reform and opening up has already exerted tremendous effects on the whole world? Is it not true that many countries are studying and referring to China's rich experiences? Furthermore, is it not true that human society continues to make progress in the course of mutual exchanges, learning from each other, complementing each other's needs, and mutually benefiting all countries? The onesidedness in understanding is not conducive to our work; in the final analysis, it does not help productive force development.

From the angle of its economic root, small-scale production harbors fear for capitalist socialized mass production; because it will directly threaten its frail economic status. China used to be a country submerged by small-scale peasant economy. Although it has changed into a collective economy through socialist transformation, its ideological effects remain far-reaching. Presently, the "capitalism-phobia" in a small number of people is precisely the reflection of such a mind set, which in essence has its root in the narrow-minded concept of small-scale production. In our world, only feudalism is scared of capitalism, and there is no reason why socialism should be scared of capitalism.

Practice has evidenced to the truth, a good job is done of the work in places where minds are emancipated and the principle of seeking truth from facts is upheld. This is the same case with intensifying reform and further expanding opening up.

## PROVINCIAL

### Development of Hainan's Yangpu Underway

HK1705025492 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 2 May 92 p 2

[“Reform and Opening Up Topic” column by staff reporter Du Ruoyuan (2629 5387 0626); “China's Important Breakthrough in Opening Up to Outside World—Interview With Ding Shilong, Director of Yangpu Development Office, Hainan Province”]

[Text] After the State Council approved the establishment of the Yangpu Economic Development Zone [EDZ] in Hainan Province, talks on foreign-funded projects have been held and transactions concluded one after another. This has extensively drawn the attention of people at home and abroad and even foreign reports state that it is a great hallmark of China opening up wider to the outside world. In view of this, the reporter interviewed Mr. Ding Shilong, director of the Yangpu Development Office of Hainan.

Mr. Ding Shilong has been in charge of Yangpu affairs for over one year and knows the situation in Yangpu like the palm of his hand and his expositions show sound judgment.

He said: Yangpu's development is virtually the mainland's important breakthrough in opening up to the outside world. Beginning in the 1980's, the mainland has set up a number of open cities and regions and more than 10 economic and technological development zones and taken a conventional road, namely doing well in building infrastructural facilities by self-investment and planning and then introducing projects. Practice shows that this mode has really played an important part in attracting capital and technology from outside the borders and become a tremendous achievement in reform and opening up for over 10 years. However, too much input in the construction of infrastructural facilities and a single channel for raising funds have resulted in an excessively heavy burden on development zones.

Ding Shilong said that the central authorities had demanded that proceeding from reality, Hainan explore a new road of developing an entire area. Although Hainan's economic foundation is weak, it must not give up development because of no funds. The Yangpu EDZ is a brand new idea of developing an entire area: Foreign businessmen are first allowed to invest in the construction of infrastructural facilities and then more businessmen and a large amount of foreign capital are called in by the foreign businessmen. If the “Yangpu pattern” is successful, it can be popularized throughout the island, thus bringing along Hainan's economic take-off.

The CPC Central Committee and State Council have all along attached importance to Yangpu's development. For instance, Yangpu gave foreign businessmen the right to use 30 square km of state-owned land on lease, and this was the first such case in the country. Ding Shilong said: The provincial authorities originally contemplated building Yangpu into a heavy chemical industry zone but the State Council's approval instrument far exceeds this scope, gives more specially preferential policies, and approves of operation according to the current international mode of management. In the zone, one foreign firm is permitted to invest alone or many foreign firms are permitted to jointly invest, development can also be organized in the form of Sino-foreign joint funds, and regarding the building of infrastructural facilities on a large area of uncultivated land, after the completion of “seven components of infrastructure and the leveling of

ground for construction" in accordance with the provisions of its contract, the development enterprise can call in other firms by itself and transfer the land use right.

Ding Shilong divides China's opening up to the outside world into five levels: coastal open cities and regions; coastal economic and technological development zones; special economic zones; Shenzhen and Shanghai bonded areas, which were recently set up; and the Yangpu EDZ, which belongs to the highest level. The preferential policies and encouragement of investment at these five levels are gradually thoroughgoing and progressive while the Yangpu EDZ has both the preferential policies the other four levels have and its own peculiarities and, therefore, it now enjoys the most special open policies.

Specifically speaking, the special policies enjoyed by Yangpu EDZ include: In the zone, entrepot and international trade are permitted, foreign-funded and domestic enterprises with the right of foreign trade may embark on international trade; in the zone, export and import goods are exempt from export and import permits, import goods are exempt from customs duties and industrial and commercial consolidated tax imposed for import; in the zone, the establishment of tertiary industries is permitted for the purposes of production, construction, and serving the residents' livelihood; all foreign-funded projects, regardless of size, which do not rely on the country for funds, energy, raw and semifinished materials, and selling markets, shall be examined and approved by the Hainan Provincial People's Government.

Regarding what pattern of management Yangpu will pursue, Ding Shilong stated two major principles: 1) On the basis of the spirit of the State Council's written instruction, the Hainan Provincial Government contemplates establishing the Yangpu EDZ Administrative Bureau to exercise government central administrative functions as well as customs and border defense management organs under judicial jurisdiction. 2) The EDZ will exercise closed and isolated management, will soon make an on-the-spot survey of the line and draw an isolation line, will guarantee close ties between the EDZ and the international market, and will develop into an open and free economic trade zone with Chinese characteristics.

Ding Shilong said: There are now a multitude of things and a large number of affairs are unfamiliar. We need to try and explore boldly and to enhance our ability and accumulate experience in practice. The provincial government is organizing experts to formulate regulations on the Yangpu EDZ's administration, 12 of which have been worked out, and the regulations on the EDZ's management as well as the regulations on land, personnel, goods, projects, and registration of industrial and commercial enterprises, and will be put into effect subject to approval. The prelude to a brilliant grand play of Hainan has begun.

*With a view to further reporting the latest tendency of and relevant measures for China's urban and rural reform and opening up, beginning from today, this newspaper opens a special column, "Reform and Opening Up Topic." We shall ask economic experts, rural economic workers, and persons in charge of enterprises to state their views on the issues of speeding up reform, opening up, economic development, and so on. We shall also report the relevant measures and changes brought about. It is hoped that this new special column will be of benefit to the readers in understanding today's China.—Editor*

### Wholesale, Specialized Markets Grow in Hebei

OW0706033892 Beijing XINHUA in English  
0318 GMT 7 Jun 92

[Text] Shijiazhuang, June 7 (XINHUA)—To date, north China's Hebei Province has a total of 3,288 regular markets, comprising a large number of wholesale markets for manufactured goods from across China and specialized markets for sale of local products.

The XINHUA market center in the provincial capital of Shijiazhuang, the biggest of its kind in China, and two major wholesale markets in the city, have been receiving a daily flow of some 300,000 customers. With 300,000 to 400,000 commodities such as metal hardware, household necessities, clothing and toys on sale, they transact a combined average business volume of 5 million yuan (910,000 U.S. dollars) per day.

These markets, which form a comprehensive commodities circulation network in the province, have been playing an increasingly bigger role in production and in improvement of the local people's life.

Deputy provincial Governor Guo Hongqi, who is in charge of finance and trade affairs, said that the markets have become a major marketing channel for the province instead of a supplementary channel in the past.

During the past few years, Hebei has raised 930 million yuan (about 170 million U.S. dollars) to build and renovate 1,410 market places in cities and rural areas.

### Henan Attracts Over 500 Foreign Funded Enterprises

OW2705103892 Beijing XINHUA in English  
1001 GMT 27 May 92

[Text] Zhengzhou, May 27 (XINHUA)—Central China's Henan Province has made great efforts to introduce foreign funds over the past decade.

So far, the province has approved nearly 500 foreign-funded enterprises. Over 100 of the total are already operational and the majority of them have achieved good economic results.

By May 21 this year the province had approved 117 foreign-funded enterprises, 3.5 times the figure for 1991. Contracted foreign investment amounted to 127 million

U.S. dollars, equivalent to the total foreign funds introduced by the province last year.

Meanwhile, five foreign-funded enterprises in the province have increased their investment this year.

According to officials from the Henan Provincial Committee of Foreign Economic Relations and Trade, the newly-approved foreign-funded enterprises this year are larger in size than those approved in previous years.

Two foreign-funded projects approved this year involved an investment of over 10 million U.S. dollars each, and the number of foreign-funded projects involving investment of over one million U.S. dollars each reached 14.

Projects covering tourism, public health and other sectors are located in 16 of the 17 prefectures and cities in the province.

The officials attributed these achievements to a good investment environment and preferential policies adopted by the provincial government.

The province has set up two economic and technological development zones in the cities of Zhengzhou and Luoyang, respectively, to attract foreign investors. It has also put great efforts into improving telecommunications, transportation and other infrastructure facilities.

Construction of the Zhengzhou Airport and the Kaifeng-Zhengzhou-Luoyang Highway is now under way.

## FINANCE, BANKING

### Agreement on Shanghai Shares for Foreign Investors

OW2505162992 Beijing XINHUA in English  
1556 GMT 25 May 92

[Text] Shanghai, May 25 (XINHUA)—Five securities companies today signed an agreement in Shanghai to underwrite B-shares—the special shares for foreign investors—with a face value totalling 125 million yuan (about 22.7 million U.S. dollars).

According to the agreement, Shanghai International Securities Co. Ltd. will sell in China 30 percent of the 12.5 million shares, which has a face value of 10 yuan per share and the premium of 38.8 yuan.

Four overseas companies will underwrite the remaining 70 percent of the shares outside China.

The four companies include Merrill Lynch Investment Banking Group, Baring Brothers & Co. Ltd, Hoare Govett Asia Ltd. and Standard Chartered Asia Ltd.

On the stock exchanges in China, A-shares are generally purchased with renminbi by Chinese investors while B-shares are issued to overseas investors.

The shares issued by the No. 2 Textile Machinery Plant are expected to be put on sale to domestic and overseas investors during early June.

Liping Zhang, vice-president of Merrill Lynch Investment Banking Group (Asia and Pacific), said, at present, the amount of circulation of the B-share is the biggest and the best in China.

The No. 2 Textile Machinery Plant, which introduced share-holding system last year, generated a profit of 54.55 million yuan in 1991, 26.78 percent over the previous year.

The average profit growth rate of the plant during 1987-1990 is 19.85 percent.

The plant will be the second company in Shanghai that issues B-shares, following Shanghai Vacuum Electronic Device Co. Ltd, which issued China's first 100 million yuan B-shares last November.

## INDUSTRY

### Developing Steel Industry Discussed

HK0706022892 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 2, 5 Feb 92, pp 24-27

[Article by Dong Yizheng (5516 6318 2973) edited by Zhou Jun (6719 6511): "Policy, Decision-Making, Countermeasures—Several Issues on Developing Steel Industry"]

[Text] Not long ago, I visited several localities and found that during the Seventh Five-Year Plan period, in many localities the backbone steel enterprises had made rather rapid development. An important reason for this was the local governments' adoption of a policy giving them preferential treatment. However, the results yielded by the same policy were different in different enterprises. This shows that even with a good and kindly policy, the enterprises' decision making should also be correct.

### Policy

The party's policy of reform and opening up to the outside world has injected a thriving vitality into the development of steel enterprises. In 1990, compared with 1978, the steel production of major steel plants increased 81.2 percent, averaging an annual increase of 5.07 percent while the steel production of local steel plants increased 314 percent, averaging a 12.55 percent annual increase. Furthermore, compared with the Seventh Five Year Plan, production of major steel plants increased 35.9 percent, averaging an annual increase of 6.33-percent while the production of local steel plants increased 72.3 percent, averaging an annual increase of 11.4 percent. In 1978, the steel production of local steel plants occupied 13.2 percent of the national output, in 1985 it increased to 21.5 percent and was further increased to 26.1 percent in 1990. The total production in 1990 was 17.34 million tons.

Development of the local iron and steel enterprises is indivisible from the policy of preferential treatment granted to them by local governments. Leadership people in many localities have discovered from actual practice that medium and large iron and steel plants have provided powerful support to the local economy's development. Possessing iron and steel materials in their hands, they can develop other industries. Therefore, literally speaking, "standing high and looking far," some local governments would temporarily reduce the upward delivery of profits and taxes by the local steel plants and "just let in water to rear the fish," other governments would fix a static figure for profit delivery by the local plants and allow them to appropriately increase their delivery quota a bit but making the fixture to last several years at a stretch. Some have gone to the extent of designating the delivery of a certain amount of profits as more or less fixed and any excess would be returned to the enterprises concerned. Indeed, many localities have increased the proportion of mandatory steel which the enterprises may keep for their own sales, some have consented to the plants repaying their loans first before delivering earned profits and taxes, and so on and so forth.

These kinds of policies have effected changes and evolution in the enterprises' operational mechanism. They have enabled the enterprises to set aside rather large self-accumulations, raised their self-development capacity, and at the same time and to a certain degree, established their own self-restriction and control mechanisms. For example, the Zhaokuan Iron and Steel Plant took advantage of the local government's policy, made a self-investment of 200 million yuan, increased its steel production volume from 300,000 tons to 500,000 tons, basically smoothed out its technological line, perfected the various coordinating stages of technology, and raised its technical and equipment level to varying degrees. Some of its technical and economic targets are now in the front ranks among its contemporaries. Up to the end of 1990, the balance of its fixed asset investment loans was only 29 million yuan, meaning that it had basically depended on its own source of funds to carry out construction. As a result of the small amounts of loans made in the Seventh Five-Year Plan period, and the light loan burden it had at the start of the Eighth Five Year Plan period, funds for technical transformation were available and a benign cycle has been initially formed. On the other hand, Guangdong Province, though giving subsidies to the steel industry, has managed to obtain returned subsidies from other enterprises supported by the steel industry, thus, in the end, there is no special effect on the province's financial receipts as a whole.

Nevertheless, there were also cases in which local governments took more from, than gave to, the enterprises, thus putting the enterprises in difficult straits. Several years ago, an enterprise made an exceptionally good showing in technical transformation, produced good economic effects, and became well-known among the

backbone enterprises of different localities. Unfortunately, in 1990, it found that its profits were not sufficient to meet the amount of profits and taxes it had to deliver to the state. The only recourse was for it to take out loans to meet the scheduled deliveries. This sort of enterprise was hardly able to maintain its own simple reproduction, far less to talk about further development.

A comparison of the Capital Plant with Anshan and Wuhan plants fully demonstrates the important role of policy in invigorating enterprises. Presently, we benefit from the experiences and lessons of another batch of backbone locality enterprises, which have given us new proof and instances in this regard.

#### Decisionmaking

Nevertheless, it cannot be denied that the same kind of preferential policy produces vastly different results in different enterprises. Here, despite that there are many objective conditions causing discrepancies, one point stands out prominently and this is that, even though the policy is a good one, decision making must also be good. When comparing these enterprises' experiences and lessons, there are three points worth important attention:

(1) We should judge the hour, size up the situation, and act within our own capacity. Among some of the enterprises, by far the great majority happen to have relatively backward technology and equipment. All their different stages need transformation and quite a large portion of them still have coordination problems. In short, they seem to need everything. But the enterprises have limited strength and resources. This all the more requires implementation of the principle of do within your capability. Acting within one's capability can help to hold the power of control and initiative and can make the enterprise's leadership grasp the principal points of the issue and determine which is the more important. Only by so doing can need and possibility be better integrated and the enterprise's plan can be truly realized. It may be said that this reasoning should be understandable to all enterprise leaderships. But how is it that this principle has often been overlooked? An important cause is that the comrades' thinking remains in the planned economy period. They would follow the past pattern, such as building the pig house first, anticipating the coming of the pigs where they can be fattened readily; some would presume that with the cooking pan ready, food and rice will be forthcoming in due course; some comrades did not see the situation clearly, overestimated their own strength and thought that eventually the state would come forthwith and provide them with aid and investment; still others were forced by outside pressure, fearing that if they did not do some big jobs others would think they were a useless lot. Under the influence of such thinking, the overheated atmosphere of certain localities and enterprises continues. In view of all this, the Anyang Iron and Steel Company's decision making well deserves our attention. The company's original plan, sanctioned by the State Council, was to install a blast furnace system with a capacity of 750 cubic meters and that by 1994

they would attain annual production of 1 million tons of steel. However, when they subsequently discovered that at that stage execution of their plan would be costly and would be beyond their financial capacity, they staunchly decided to delay the scheme and attend to certain technical transformation work to coordinate with the main production structure and relied on strengthening management and administration for further development. They tapped the potential of their existing equipment and the result was that they ultimately fulfilled their target of an annual production of 1 million tons of steel, and this was accomplished five years in advance of their original plan. On this basis, they have accumulated more funds and are destined to further and greater development.

(2) Achieving an overall balance and centralizing strength to solve the weak links. Basically all the enterprises are in a state of needing to do many things but lacking the necessary resources. Would it be overall development and all parties concerned advance abreast? Or, would it be a limited target and a breakthrough only at certain major points? Some enterprises have developed too much and too fast; much blossoming but few fruits reaped. On the other hand, some enterprises, after viewing the situation as a whole, have fiercely grasped the major points, achieved successes one after another, and made each project yield fruitful effects. Naturally, in determining the major points, there is no hard and fast rule to follow. But there is one basic guideline which is to take raising the effects as the central point and making the input yield within a short time the largest output. Seen from those enterprises which have yielded good results, generally certain conditions should be observed; they are: 1) Basically smoothing out the work procedure structure. For example the Liuzhou Iron and Steel Plant, to change the situation of "toppling the treasure cave" in the conversion of iron and steel materials, concentrated its forces on the presmelting work procedure. Under the current condition of the rise of raw materials prices, it was able to greatly reduce the expenses. 2) Changing the imbalance between the principal and subsidiary work procedures. In certain enterprises, the principal capacity equipment is basically in order but because the subsidiary work procedures, such as water supply, electric power, air, gas, limestone, and so forth, are unable to follow up, this has adversely affected the display of capability, improvement of the quality of products and practicing economy in consumption. However, in the Seventh Five-Year Plan period they devoted great efforts to effecting a readjustment and have earned notable results. 3) Placing the emphasis on the weak links in quality and variety, although the concrete measures in so doing should differ in different plants. Fortunately, it is pleasing to note that some enterprises have turned their attention to grasping from the start the raw materials' quality, and grasping good and precise raw materials to begin with. Then certain plants have made a minute and reverse checking of the production procedure, tried to find out the faults, and assured the quality of products leaving the factory. Enterprises of this category are

farsighted. They take in mind not only their short-term interests but also their long-term effects as well. They have regarded not only their self-interests but also the benefits to society.

Operation with a debt burden must have a limit. After the investment principal body has completed its transaction and retired from the enterprise, the enterprise itself must shoulder the burden of self-development; but, under the contracting system and the current operational mechanism, the great majority of the enterprises do not have self-owned funds for extension and capital construction and even do not have the resources to take up important technical transformation. Hence, operating in a state of indebtedness is a "must." In the Seventh Five-Year Plan period, many enterprises have accomplished many jobs by means of loans and credit due to the practice of operating in indebtedness. However, everything must have a limit and once this limit is exceeded adverse results will come. At one time, some people over-emphasized operating with a debt burden and seemed to believe that the greater the amount of loans owed, the greater the entrepreneur's willpower and capability. At present, in some of the enterprises, the outstanding loan balances on their fixed assets have far exceeded all their profit retentions in the Seventh Five-Year Plan period; after entry into the Eighth Five-Year Plan period, the debt burden became heavier and the enterprises' yearly profit retentions were hardly sufficient to cover the interest payments due. This has placed the enterprises in new financial straits, making them hardly able to finish up the projects undertaken during the Seventh Five-Year Plan period. Hence, a large amount of funds has been made unable to play its designated role for a protracted period, thereby impairing the improvement of the enterprises' economic effects. From this it can be seen that operating with a debt burden must also be governed by the ability to bear and a definite limit must be set. This limit is whether or not it is possible to repay the loans within the specified time limit and whether or not a definite amount of funds can be retained. In fact, development of certain large enterprises in Western countries does not wholly depend on loans. Some enterprises, in the course of their development, have a fairly large loan ratio because they have a loan repayment mechanism in operation and have the ability upon completion of the projects to earn some profits and rapidly pay off the debts. Of course, in the West there are many enterprises which have a rather low loan-owing ratio. China should gradually set up in enterprises a loan-making and repaying mechanism once the principal investor has finished his job and departed the enterprise. In this connection, naturally much depends on improvement of the external environment, although at the same time, much also depends on the enterprises making correct decisions and depending on reforming their internal coordination.

#### Countermeasures

From now on, local iron and steel industry still needs to further develop and to make new contributions to

China's socialist modernization. Development naturally includes increases in production volume but should not be merely confined to growth in output. At this time of change from one century to another, we must be on the lookout for needs of the 21st century. We should place major stress on elevating the level, including improving product quality, developing a variety of products, practicing economy in various kinds of resources and energy, and treating and putting in order the environment. All this must be built on the foundation of technical progress and requires the devotion of efforts to raising the technology and equipment levels. It also requires the spending of a lot of money. Despite the fact that the objects served by local iron and steel industry are different from those served by the major plants and that there may as well be discrepancy in the level of the services, the direction of the services should be both alike.

At present, execution of the Eighth Five-Year Plan is already in progress and the investment environment in the Eighth Five-Year Plan is much more stern and serious than in the Seventh Five-Year Plan. Hence, there is all the more need to demand that input in the Eighth Five-Year Plan will yield better effects. Then it will be necessary on the basis of summing up the Seventh Five-Year Plan's experiences and based on the trade and industrial development planning's requirements to make correct decisions and formulate well the measures for investment in the Eighth Five-Year Plan.

(1) Input in the Eighth Five-Year Plan should first of all be placed in the completion, perfection, and coordination of the projects built in the Seventh Five-Year Plan to fully display the investment effects of the Seventh Five-Year Plan. In the Seventh Five-Year Plan period, the fixed assets investments of the major and local iron and steel enterprises were respectively 48.674 billion yuan and 16.466 billion yuan, being respectively 215 percent and 272 percent of the input in the Sixth Five-Year Plan period. Unfortunately, due to certain enterprises being still in the stage of wild expansion, and of newly building many projects which far exceeded the enterprises' ability to bear, coordination was poor and the effects were low. Some enterprises installed two sets of transfer machines but had only sufficient coordinating equipment to keep one set running and the other had to remain idle. In some of the enterprises, the blast furnaces were relatively modernized but the materials fed into the furnaces were of low quality, the coke's ash content was too high, the result of the utilization coefficient being very low was the coke proportion was high and the effects were below those of an ordinary blast furnace. All these conditions should be studied and solved one by one. Those coordinating projects already fixed and arranged for in the Eighth Five-Year Plan should be firmly grasped and put into operation. If originally there were missing items, they should be replenished at once. Never allow any "half measures." Now is the time to seek effects from the input made in the Seventh Five-Year Plan. There should be a reassessment of each and

every investment project put into operation in the Seventh Five-Year Plan. Projects that have been put in operation for over a year and yet have not reached the designated level should be subjected to scrutiny and analysis for the causes; countermeasures should be adopted at once to put the Seventh Five-Year Plan projects in full operation. Projects sorely needed in the market should be made to reach the planned level as soon as possible since herein lies the largest effects of the moment. In this connection, if more money still has to be spent, it would still be worthwhile.

(2) Based on the principle of acting according to one's capability, assess anew and readjust the Eighth Five-Year Plan. Seen from the current conditions, for the great majority of enterprises to truly change their countenance, it will probably take five-10 years. Certain jobs cannot be completed within a single five-year plan period. Hence, the various units should arrange their five-year plans on the basis of 10 year planning. By so doing, it will be possible to better the relationship between the two five years and to effect a better liaison between the two periods. Seen from experiences in history, in the formation of a Five-Year Plan each time, it has always appeared that in the first few years the condition was tight but became loose in the subsequent years. The greater demand for investment in the first two to three years reflected everybody's urgent feeling to have a quick change of the countenance but to a definite degree also illustrates the desire to seek speedy accomplishments. More recently, after capital construction and important technical transformation have gone on the proper track, certain enterprises have shown that they had the funds but could not spend them because of an insufficient degree of work in the preceding stage. We should try hard to avoid both these conditions. But at the moment, the principal trend is still to seek speed, wholeness, and large size and no attention is being given to the overall balance of the various factors of funds, resources, energy, and so forth. Rather, we should fulfill in advance the construction projects listed in the Five-Year Plan than attack simultaneously, and within a short period of time, a large number of projects. In short, "making the utmost efforts" and "acting within one's capability" should be integrated. At the moment, the latter, that is, "acting within one's capability" is more important.

(3) Enterprises shouldering construction expansion tasks should first of all grasp the construction of their existing bases and improve and perfect the overall balance of all factors. At present, certain local iron and steel plants have the need for construction expansion and also the possibility of its realization. In overall planning, support should be given to these enterprises. Construction expansion here does not imply merely tapping the potential, fixing the coordinating projects, or adequately increasing production capacity. Nor does it imply addition of a small blast furnace of, say, 100 cubic meters capacity or the installation of some converters of several tons' capacity each. Rather, it refers to new construction projects ranging from several hundred thousand tons or

even a million tons of production capacity. In some cases, the object is even to exceed the plant's current production capacity. Therefore, caution and extra caution must be displayed. This sort of construction expansion requires a large amount of capital funds. Aside from the necessary policy support from the higher levels, the enterprise concerned should open up various channels for raising funds, including the use of external or foreign capital. At the same time, earnest efforts should be devoted to enhancing the enterprise's ability to raise funds by its own means. This requires it to first of all consolidate its existing base, premises, and equipment and fully allow the existing equipment to play its role. As for the equipment in the old base, aside from those which should be shut down, such as those without any prospects or which it would not be financially worthwhile to renovate, all other equipment should undergo renovation so that they may put on a new countenance, increase their vitality, and be able to turn out better products. In particular, they should be made able to turn out certain special products based on the province's market demand and the plant's own reality. If the old base area cannot truly carry out renovation, then even though the products are currently marketable, they may not be able to stand on their own feet five-10 years later. Under such conditions, to have a new base but to forsake the old is not worthwhile economically. As for the portion of extended construction, it is necessary not only to highly regard quantitative development but also to pay attention to the intension problems of product variety, product quality, consumption of materials, environmental protection, and so forth so that they may meet the needs in the 21st century for steel materials in the localities' economic development.

In expanding the construction scale, it is also necessary to pay attention to the construction of iron ore supply areas. We should never forego this stage and go ahead recklessly. Without definite mineral ore supply channels, no effects can be achieved. If iron ore sources are available in the locality, we should try as far as possible to integrate the development of the smelting capability with the development of iron ore mines. In the arrangement of funds, we should give due regard to earmarking and providing funds for developing the locality's iron ore mines as well as giving financial support to developing such mines in neighboring localities. In the case of localities without iron ore resources, extra caution should be exercised in construction expansion to avoid "cooking without rice."

(4) Concurrently with undertaking technical transformation and pushing technological progress, the work of improving the quality of the staff members and workers must also be listed in the daily agenda of work. Recently, the central authorities have clearly pointed out that we must earnestly and truly shift economic construction to the track of relying on scientific and technological progress and improvement of the working personnel's quality. We must deeply understand the strategic significance of this important decision making and thoroughly

carry it out in actual work. Despite the fact that in both technological progress and improving the quality and standard of the staff members and workers a large amount of work must be done, relatively speaking at the moment, many enterprises have paid more attention to the former than to the latter and, needless to say, there is all the more need to strengthen work on the latter. Some years ago, a number of enterprises turned their five-ton small converters to 15-ton ones. After the conversion some of the enterprises found their production work to have proceeded smoothly, while some did not, even to the extent of their production not matching that of the original five-ton converters. There were of course various causes but the main cause was due to the cadres' low management level and the working team's personnel failing to catch up in technology. Therefore, from now on when undertaking technical transformation and raising the equipment's level or standard, concrete arrangements must be made to give the workers adequate training and improve their quality of work and efficiency. Moreover, the workshop's management level must be enhanced and the decision-making level on the enterprise leadership's part must also be enhanced. Much evidence shows that if only there is a contingent of staff members and workers who have a sense of responsibility and who can studiously learn and study new technology, then the enterprises will forever succeed and are destined to accomplish their missions.

## TRANSPORTATION

### World Bank Helps Build Expressway Project

*OW2205072592 Beijing XINHUA in English  
0641 GMT 22 May 92*

[Text] Washington, May 21 (XINHUA)—The World Bank has approved a 220 million U.S. dollar loan to China to help build a four-lane toll expressway between the industrial city of Hangzhou and the port city of Ningbo in Zhejiang Province, the lending agency said today.

The Zhejiang provincial highway project—which also includes financing for rural road improvements in the poorer southern part of the province—is the largest of China's seven highway projects that have been financed by the World Bank.

The 138-kilometer Hangzhou-Ningbo highway will eventually be linked into a network of 12 major highways across China.

According to the World Bank, transportation bottlenecks are one of the most severe constraints to economic growth in China. The Chinese Government is giving priority to constructing highways in the coastal provinces, where economic growth is fastest, putting pressure on existing highways, said World Bank official Stephen Stares.

The Zhejiang project includes funds for constructing and improving about 970 kilometers of provincial and county roads and five bridges. The project is expected to result in significant benefits in providing better access to markets inside and outside the region, reducing travel time, and increasing agricultural and industrial productivity.

### New Eurasian Continental Bridge To Open

OW2605014392 Beijing XINHUA in English  
0119 GMT 26 May 92

[Text] Nanjing, May 26 (XINHUA)—As of September 1, Lianyungang City in east China's Jiangsu Province will dispatch a daily transnational container cargo train over the new Eurasian continental bridge, or the railway between Lianyungang City and Rotterdam in the Netherlands.

Each train will pull some 40 freight cars capable of carrying from 80 to 100 standard containers.

The event will mark the official opening of the new Eurasian continental bridge, which was formed on December 12, 1990, when China linked up its railway system in the Xinjiang Uygur Autonomous Region with railways in the former Soviet Union.

The new transnational railway line passes through seven Chinese Provinces and autonomous regions and 11 European and Asian countries.

According to Liu Guofu, deputy director of the Transportation Bureau of the Ministry of Railways who is in charge of the Chinese section of the transnational line, China has extended great efforts over the past few years to construct basic facilities.

Seven Chinese ministries have joined together to draft a trial administration plan to control international container transportation.

The Railways Ministry has invested over 40 million yuan (about seven million U.S. dollars) to install a computerized system to monitor the goods being shipped on the transnational line.

The country has also increased the capacity of the Lianyungang port to handle containers by building two container berths, each with an annual handling capacity of 200,000 containers, and a freight yard capable of holding over 7,000 containers.

In addition, the port will construct an additional six berths to meet the new demand of the new Eurasian continental bridge, and additional sea routes will be opened between Lianyungang and cities in Japan and South Korea.

### More Mainland-Hong Kong Air Services Available

OW2705074892 Beijing XINHUA in English  
0717 GMT 27 May 92

[Text] Hong Kong, May 27 (XINHUA)—Air lines between five mainland cities and Hong Kong will be upgraded from next month, bringing to 13 the number of regular Hong Kong-mainland air lines, according to the Hong Kong office of the Civil Aviation Administration of China (CAAC) today.

An official of the CAAC Hong Kong office told XINHUA that chartered services operating between Hong Kong and five mainland cities—Shantou, Fuzhou, Xian, Shenyang and Ningbo—would be turned into regular flights.

The Shantou-Hong Kong charter service would become regular with two flights a day beginning from June 1, and the four other flights would be converted into regular services in the second half of this year.

Already in regular operating are eight air lines between Hong Kong and Guangzhou, Kunming, Xiamen, Shanghai, Hangzhou, Beijing, Tianjin and Dalian.

### Guangdong Province Constructs Super Highways

OW0506092192 Beijing XINHUA in English  
0832 GMT 5 Jun 92

[Text] Guangzhou, June 5 (XINHUA)—Southern China's Guangdong Province is preparing to build seven super highways to ease traffic congestion.

According to the director of the provincial Bureau of Communications, Li Peiwu, these highways with a total length of about 500 kilometers will cost 8.8 billion yuan.

Reviewing work over the past decade, Li said Guangdong has improved road facilities by building more than 1,000 highway bridges to link all the areas that used to be separated by rivers and streams in the province.

However the improvements are still not enough to cope with the rapid overall economic development and the progress in particular in the Pearl River Delta.

Accordingly the province will switch construction focus from bridges to super highways.

Guangdong currently has more than 55,000 kilometers of highways including 23-kilometers of super highways.

## AGRICULTURE

### Interview With Bai Meiqing on Grain Price Reforms

92CM0424A Beijing JINGJI CANKAO in Chinese  
10 Apr 92 p 1

[Interview with Bai Meiqing (4101 5019 3237), vice minister of commerce, by JINGJI CANKAO reporters

Wang Peixian (3769 0160 6343) and Ye Qiyuan (0673 1142 0337), date and place of interview not given: "Post-Price Reform Strategy"]

[Text] The State Council has decided to introduce uniform grain procurement and selling prices as of 1 April, the biggest move in the area of grain circulation in the 40 years and more since the PRC was founded. How will the equalization of the buying and selling prices of grain impact the nation's grain procurement and marketing policy, macroeconomic regulation and control, and the people's lives? With these questions in mind, the reporters interviewed Bai Meiqing, vice minister of commerce in charge of grain work who is also director of the State Grain Reserve Bureau.

[JINGJI CANKAO] After the procurement and selling prices of grain are equalized, in what ways will the functions of state-run grain departments change?

[Bai Meiqing] After the procurement and selling prices of grain are equalized, state-run grain departments will face a new set of circumstances; The differences between regular and negotiated prices will diminish, market regulation will grow, and competition will intensify. For this reason, they can no longer simply follow the "policy," but must shift from the distribution mode of operations and make the appropriate functional adjustments. On the one hand, they must do a good job in grain procurement and supply to ensure the basic stability of the grain market. On the other hand, they must revitalize grain enterprises, establish the operating mechanisms whereby the enterprises can practice independent accounting, assume responsibility for their own profits and losses, and develop a capacity for self-development and self-restraint. In other words, grain departments must ensure that people who sell grain themselves have enough to eat. To turn the losses of grain departments into profits, three measures must be taken this year. First of all, the buying and selling of negotiated-price grain was 2 billion in the red last year. That loss must be turned into a profit this year. Second, grain and oil processing enterprises (10 percent of which currently are unprofitable) must trim their losses by further boosting their level of profits from last year's 2 billion yuan. Most important is the network of over 80,000 grain sales outlets blanketing the cities and countryside. Mount a major effort to diversify the range of foodstuff offered while focusing on popular items. Steamed buns, large flatbread, deep-fried twisted dough sticks, and cut noodles are a must. No reason why people should not be allowed to open a restaurant or a hotel. It is hard work and involves long hours. Put an end to the monopoly on the buying and selling of grain and oil in two to three years' time. Diversify. Satisfy the needs of the public.

[JINGJI CANKAO] Now that the procurement and selling prices of grain are to be equalized, what does it mean to continue the rationing policy with regard to township residents?

[Bai Meiqing] It has been almost 40 years since the rationing policy, under which township residents are required to produce a coupon when they purchase grain, was first introduced. It has been highly instrumental in ensuring that people do not go hungry. Since we embarked on reform and opened the country to the outside world, there have been two big spurts in grain output, but per capita grain consumption still falls short of 400 kilograms, very low compared to that in developed nations. Although the people's living standards have risen significantly in recent years, grain rationing remains a very important social security measure to low-income citizens. For the nation as a whole, actual grain sales are lower than the amount of grain rationed. This shows that as the people's living standard rises, the consumption of nonstaple foodstuff increases while direct grain consumption falls. This is particularly true in the coastal areas. Nevertheless, grain rationing as a social security measure must be continued firmly. Right now the masses still have a substantial number of grain coupons and grain reserves on hand, so we must act cautiously. First, in the interest of stability, grain coupons must not be abolished. Second, step up management. A reasonable portion of the grain reserves should be made available. As the reform of the grain circulation system deepens, the gap between the regular prices and negotiated prices will narrow over time and grain coupons will disappear on their own, much like cloth coupons.

[JINGJI CANKAO] After the procurement and selling prices of grain are equalized, will government cut back on its grain subsidies?

[Bai Meiqing] At the same time as the procurement and selling prices of grain are equalized, consumers are offered grain price subsidies. For this reason, there will only be a marginal reduction in government subsidies. At the moment the operating costs of grain departments are still being subsidized by the treasury. Such costs have been on an upward trend because it is becoming more expensive to build granaries as a result of the rising prices of building materials. As reform deepens, however, financial subsidies by the government will gradually decrease.

[JINGJI CANKAO] With grain prices being tentatively straightened out, how will contract procurement, negotiated procurement, and special reserve procurement be affected?

[Bai Meiqing] The state is raising contract procurement grain prices this year, which alone will benefit peasants to the tune of more than 4 billion yuan each year. Right now the differences between contract procurement prices and market prices are minimal. In addition, there is the "three-link" policy, which essentially closes the gap between contract procurement prices and market prices. This, in turn, will go a long way toward solving the various problems relating to selling procurement grain to the state. The latest round of price increases has widened the price differences between grain varieties, thus

sending a price signal to peasants and encouraging them to change their mix of crops by growing more high-quality, high-efficiency, and high-yield varieties.

As for negotiated-price grain, since government stocks are ample and market prices are stable, procurement is expected to remain at the same level as last year's. Because of the drought in the north this year, the prices of some varieties of grain may be slightly higher. Public demand for good-quality grain is rising. Moreover, with peasants entering the cities to work or go into business, their demand for negotiated-price grain also will increase. By and large we expect a balance between procurement and sales.

The procurement of special reserve grain plays a major role in encouraging peasants to grow grain, stabilizing grain prices on the market, and ensuring the stability of the grain market. Last year some areas were hit by disasters but the difficulties were solved merely by releasing 4.5 billion kilograms of special reserve grain. The amount of special reserve grain to be procured is determined by the outlook for the year in question and the amount of surplus grain held by peasants. Procurement prices are determined based on prices on the domestic and international markets. A three-tier grain reserve system combining the state, which will play the dominant role, the localities, and the villages, should be set up.

[JINGJI CANKAO] Given the new set of circumstances, how do we go about doing a good job in the macro regulation and control of grain?

[Bai Meiqing] To begin with, we need to set up a three-tier special reserve system. Special state reserves must be stored in special granaries and taken care of by specially designated individuals, and a special account should be set up for them. We plan to build 100 to 200 state reserve granaries along transportation routes.

Second, make the establishment of a grain market a priority. With the Zhengzhou wholesale market as its head and the regional markets of Harbin, Changchun, Weihai, Wuhan, Changsha, Jiujiang, and Wuhu as its backbone, we should create a grain market without delay. Last year the combined volume of business of these eight leading markets exceeded 4 million tons. In the future these markets must graduate from long- and medium-term contract buying and selling to futures transactions. We also plan to establish a grain and oil exchange in Shanghai after the Zhengzhou market gets on solid ground. Furthermore, we need to develop over 20,000 inter-prefecture and inter-county preliminary markets. These markets would offer a mix of wholesale and retail services and provide a place where the producing and marketing sectors can deal with each other face to face. Prices would be determined by the market.

Third, the wholesale power over grain must rest primarily in the hands of state-run grain departments. State-run grain units should account for a majority of the key grain retail outlets. But diversification also must be

furthered to allow multiple circulation channels. Other economic forms may handle a small part of the wholesale business. Grain being a special commodity, we must make sure that state-run enterprises are the main circulation channel.

In short, under the new circumstances we must make grain work a success by following these six statements:

Keep the overall volume in balance. Keep an appropriate amount of grain in reserve. Control the wholesale end of the business. Manage the market properly. Revitalize the enterprises. Operate comprehensively.

### Sales of Farm Machinery Up in First Four Months

OW2605105892 Beijing XINHUA in English  
0927 GMT 26 May 92

[Text] Beijing, May 26 (XINHUA)—The country's sales of farm machinery was up 32 percent in the first four months of this year over the same period of last year.

According to statistics, the country's sales of farming machinery in the period totaled 5.95 billion yuan. The national corporations involved ordered 5.34 billion yuan-worth of farm machinery, an increase of 32.4 percent over the same period of last year.

Sources said that the sales of a wide range of machines have increased remarkably, including irrigation and cultivating machines, special transport vehicles, tractors, diesel engines, combine harvesters and spare parts for farm machines.

Experts attribute the rise in the sales of farm machinery to government policies to encourage agricultural development and increase of government loans to farmers.

### UN Agricultural Project Under Way in Yunnan

OW0106121092 Beijing XINHUA in English  
1106 GMT 1 Jun 92

[Text] Kunming, June 1 (XINHUA)—A comprehensive agricultural development project sponsored by the World Food Program, got underway today in southwest China's Yunnan Province.

The project will be implemented in five villages in Xundian, Xuanwei and Luoping Counties, all of which are classified as poverty-stricken mountainous areas inhabited by people of ethnic minorities. At present, farmers in these areas are unable to produce enough to feed themselves due to extremely low and unstable grain production.

The U.N. organization will provide some 82,710 tons of wheat valued at 14 million U.S. dollars in exchange for farm labor, including the construction of water conservancy projects, afforestation and planting grasslands, and building highways.

It is estimated that when the project is completed, each farmer in the area will be allocated some 0.06 hectares of high-yield farmland, and the per capita grain consumption will increase from 153 kilograms to 253 kilograms, and the annual per capita income will increase from 191 yuan to 496 yuan. In addition, forest coverage will increase from 15 percent to 30 percent.

### Progress Made in Improving Agricultural Environment

OW0406115692 Beijing XINHUA Domestic Service  
in Chinese 2111 GMT 3 Jun 92

[By reporter Yang Zhaobo (2799 0340 3134)]

[Text] Beijing, 4 June (XINHUA)—In a bid to improve the agricultural environment in China, localities throughout the country have been conducting extensive research in and promoting ecological agriculture on a trial basis. Based on incomplete statistics, China now has more than 2,000 pilot units at the county, township, and village level which are experimenting with different types of ecological agriculture on varied scales.

To safeguard agroecological equilibrium, a vast number of scientific researchers in China for a long time have devoted themselves to the conservation of water and soil on an extensive scale. They have thus far controlled soil erosion on land totaling 520,000 square meters. In northwest, north, and northeast China, experts have used research and practice to tackle the desertification of hundreds of thousands of square meters of land, and their efforts have tentatively checked the process. Meanwhile they have carried out a large-scale forest ecological project featuring shelter forests in northwest, north, and northeast China; shelter belt projects along the middle and upper reaches of the Chang Jiang; shelter belt projects in coastal areas; and the greening of plains and Taihang Shan. They have achieved remarkable environmental benefits. Thanks to the experts' efforts to transform and tackle the saline-alkali problem in a comprehensive way—and with the help of the masses—the once barren areas in the Huang He-Huai He-Hai He Plain and other heavily salinized areas have been turned into high-yield grainfields.

Since the State Environmental Protection Committee under the State Council circulated in 1985 the "Opinions on Developing Ecological Agriculture and Strengthening the Protection of Agroecological Environment," the State Environmental Protection Bureau has directly established 19 pilot units to experiment with ecological agriculture in 17 provinces, autonomous regions, and municipalities. In addition, with local government support many pilot projects have been established in most provinces, autonomous regions, and municipalities across China to showcase ecological agriculture, with such projects being expanded in scale from an ecological household or village to an ecological township or county. After several years of experiment and demonstration, a number of pilot villages have scored some heartening

results. Liumingying village in Daxing County, Beijing; Shanyi Village in Xiaoshan, Zhejiang; Heheng Village in Taixian County, Jiangsu; and Xiaozhang village in Yingshang County, Anhui were selected respectively by the UN Environment Program for its global 500 best in environmental development in 1987, 1988, 1990, and 1991.

### New Compound Fertilizer Developed

OW0906153192 Beijing XINHUA in English  
1256 GMT 9 Jun 92

[Text] Beijing, June 9 (XINHUA)—A research institute of the Chinese Academy of Agricultural Sciences has developed a peat biochemical compound fertilizer.

Developed by the Beijing Sihai Rural Technology Development Institute, the product can be applied to various soils and crops after adjustments to the formula.

Experiments on 266,000 hectares of crops in Beijing, Jilin, Inner Mongolia, Jiangsu, Shandong and Heilongjiang show that the biochemical fertilizer can raise fertility and soil temperatures, and increase resistance to drought and water-logging. It can also promote earlier ripening, increase yield and leave no residue.

The ministry of chemical industry has approved four factories to produce the peat fertilizer in China.

### Progress Made in Afforestation Along Chang Jiang

OW3105085692 Beijing XINHUA in English  
0825 GMT 31 May 92

[Text] Kunming, May 31 (XINHUA)—China has made progress in planting a shelter forest on the upper and middle reaches of the Yangtze River, the longest in the country.

Altogether 60 counties in this river valley are expected to grow trees on all the hills suitable for afforestation by the end of this year.

To improve the ecological conditions and promote economic development in the river valley, the Ministry of Forestry launched a drive of first phase afforestation among 200 counties in the valley.

So far the 60 counties have grown trees on 1.67 million hectares of barren hills suitable for tree growth. They are expected to accomplish the state-set quota for afforestation on the middle and upper reaches of the Yangtze River in 1995 after filling the gaps with seedlings and strengthening management.

By the end of this year, the 200 counties had planted trees on 2.8 million hectares, fulfilling 42 percent of the first phase of the 12-year afforestation plan.

**'Roundup' Assesses National Afforestation Efforts**

*OW0606092492 Beijing XINHUA in English  
0836 GMT 6 Jun 92*

[“Roundup: China's Afforestation Keeps Up Momentum”]

[Text] Beijing, June 6 (XINHUA)—China's forest reserves now balance with consumption and the country claims the world's largest man-made forest resource, according to the Ministry of Forestry.

A recent survey shows there are 128 million hectares of afforested areas, an increase of 11 percent over that of 1981, and the decade's afforestation effort has boosted forest coverage from 12 to 13.4 percent.

The survey also indicated that China has achieved a surplus of 39 million cubic meters of timber annually over the past three years. This means that China's forest growth rate is faster than consumption for the first time in many years.

Forest officials attribute the achievement to the accelerated efforts in afforestation, adjustments to production, improved technology and a mass tree-planting campaign.

According to Zhu Guangyao, head of the afforestation department under the Ministry of Forestry, China is a country plagued by a shortage of forest resources. To improve its ecological environment, the Chinese Government has maintained a basic policy to “green” the country's territory. Intensified effort in forest cultivation, forest protection and management and rational use of forest resources have been given top priority.

In the massive afforestation campaign launched across the country since 1978, more than a third of China's population has taken part adding 3.3 million hectares of new forest annually, which resulted in the world's largest man-made forest.

The program has “greened” over 28 million hectares of farmland. Forest shelterbelts now cover another 24 million hectares and urban green space totals 19.2 percent.

Meanwhile, China has planted over 10 million hectares of trees in an attempt to prevent further desert encroachment. The effort has brought 10 percent of the desert under control and another 1.3 million hectares of desert has been turned into arable land.

Over the past 10 years, China has worked out a series of ecological projects such as the “Three Norths” Green Great Wall, the shelterbelts covering the Yangtze River Valley, coastal areas and the extensive plains.

But despite the progress in afforestation, forest officials admit that the country's forest and ecological reconstruction cannot match the modernization drive. The flood and drought disasters, sand encroachment and soil erosion have not been brought under control.

China plans to go on expanding its forest resources this decade by more planting and strict consumption control with the object of raising forest coverage to 15 or 16 percent of the land by the end of the century.

**Agricultural Bank Supports Hainan Development**

*OW2505092892 Beijing XINHUA in English  
0832 GMT 25 May 92*

[Text] Haikou, May 25 (XINHUA)—Bank support has helped the construction of the largest farm and sideline product wholesale market in Hainan Province, China's largest special economic zone.

One of China's modern market-oriented agricultural experimental zones, the Hainan comprehensive agricultural development and experiment zone planned to build a large wholesale market for farm and sideline products last year.

This required a sum of 25 million yuan for construction. However, the zone had only 3.6 million yuan in hand.

After making a careful investigation and feasibility study, the Hainan branch of the agricultural bank of China granted a loan of 40 million yuan to the zone to build the market.

When the Hainan wholesale market for farm and sideline products opened at the end of last year it sponsored the first provincial fair for farm products and concluded contracts involving 340 million yuan. The actual transaction volume topped 46 million yuan-worth, and the loans were paid back on time.

Started from spot transactions, the wholesale market is undertaking the futures business.

It organizes local farmers to produce melons and vegetables to supply cities in northern China on contract.

**New Wholesale Meat Market Opens in Xinjiang**

*OW0806122592 Beijing XINHUA in English  
1152 GMT 8 Jun 92*

[Text] Urumqi, June 8 (XINHUA)—The Xinjiang Uygur Autonomous region's largest wholesale meat market has opened in Urumqi, capital of the region.

The Xinjiang Autonomous Region is one of the nation's five largest pastoral areas with 45 million livestock. About 10 million head are slaughtered annually and meat output totals more than 60,000 tons.

The wholesale market comprises three centers for trade in pork, mutton, beef and eggs and byproducts. Facilities include cold storage capacity for 15,000 tons of meat.

## NORTHEAST REGION

### Harbin Executes Two for Robbery Offense

HK0506022492 Beijing XINHUA Domestic Service  
in Chinese 0936 GMT 4 Jun 92

[By Liu Yuxun (0491 3768 8113)]

[Text] Harbin, 4 Jun (XINHUA)—Yesterday, Harbin completed trying the case of the 15 March exceptional robbery of the state treasury. The chief culprits, Feng Wenzhi and Jin Yonghao, have been executed and the other 13 offenders were sentenced to set terms of imprisonment for aiding and abetting, perjury, and dereliction of duty respectively.

## NORTHWEST REGION

### Annual Work Report of Ningxia Higher People's Court

92CM0292A Yinchuan NINGXIA RIBAO in Chinese  
7 Apr 92 p 3

[“Summary of speech by Zou Xianchao (6760 3759 2600), Chief Judge, People's Higher Court, given on 12 March 1992, at the Fifth Session of the Sixth People's Congress of the Ningxia Autonomous Region”]

[Excerpt] [passage omitted]      **Strict Punishment of Serious Crimes To Maintain Social Stability**

In 1991, people's courts at all levels in Ningxia in accordance with the law, dealt a great blow to criminal elements that seriously endanger public safety such as murder, robbery, arson, rape, grand larceny, vagrancy, slave trading, drug trafficking, and economic crimes such as embezzlement, bribery, fraud, speculation, and tax evasion that seriously wreck the economy. During the year, a total of 2,673 criminal cases were tried and heard, of which 2,625 were concluded, a disposal rate of 98.2 percent. Legally effective sentences were given to 2,550 persons guilty of criminal offenses. Of these, 788 people, or 30.9 percent of all criminals sentenced, were sentenced to more than five years, life terms or death sentences (including stays of execution), an increase of 0.77 percentage points over the previous year. Another 1,775 criminals comprising 65.83 percent of the total, were sentenced to fixed prison terms of less than five years, to hard labor, or were granted parole; 85 were excused from criminal prosecution, 31 were found innocent, and seven were dealt with by other means. After such serious blows to various criminal activities that shook up the boldness of criminal elements, criminal cases declined from the previous year, and the number of criminal cases and persons brought before courts in the region for action, declined 0.67 percent and 4.84 percent respectively from the previous year.

Close coordination among the people's courts at various levels and the police, prosecutors, and law enforcement officers to tackle the brazen stealing and associated

criminal activities that seriously endanger public safety, resulted in their initiating a massive anti-theft campaign directed chiefly toward leaders of these groups that steal, and toward big-time thieves, repeat offenders, regular offenders, collaborators and masterminds. To protect enterprises and rural economic development, particular attention was paid to prosecute those who steal and wreck rural electrification equipment, raw materials and finished products from large- and medium-sized enterprises. People's courts in Ningxia handled 931 larceny cases, of which 927 cases were tried, and sentences handed out to 1,388 persons. Figures for those sentenced to death, or given stay of execution and life imprisonment showed an increase of 87.50 percent over the previous year. The flagrancy of larcenous elements thus received a serious blow, and the anti-theft campaign obtained obvious social results. The number of larceny cases handled by all the people's courts in Ningxia dropped 8.99 percent, and grand larceny cases dropped 17.75 percent from the previous year. For a time, the rampant criminal activity of stealing was eased. The policy of people's courts on all levels in Ningxia to earnestly prosecute all criminals in accordance with the law based on the principle of “firmness, care, and accuracy” continued toward all those criminal elements engaged in such crimes as embezzlement, bribery, speculation, fraud, tax evasion etc., which wreak havoc on the socialist economic order and economic construction.

Culprits in a case of bribery and embezzlement at the autonomous region's bureau of tobacco monopoly were punished in accordance with the law. The chief culprit was the bureau chief Yang Jie [2799 2638], who accepted bribes worth more than 93,000 yuan. He was tried and sentenced to life imprisonment and deprived of all political rights. Besides restitution of all stolen funds and materials, personal property worth 3,682 yuan was also confiscated. Another prime culprit, chief of the marketing division Wang Yanju [3769 5333 5468], who embezzled and accepted bribes totalling more than 129,000 yuan, was also sentenced to life imprisonment and deprived of all political rights. Besides restitution of all stolen funds and return of all stolen goods, personal property worth 64,829 yuan was also confiscated. During the year, the courts tried and disposed 410 cases of economic crimes, pronounced 513 offenders guilty, of which 47 were state employees and four were senior cadres in positions above the county or league level. A nest of “termites” destructive to reform, opening up, and economic construction was eliminated, enabling the people to actually see the determination of the party and the government to fight economic crime, increase their faith in the punishment of corruption, and promote establishment of clean government.

At the same time that the policy of punishing serious crimes was being carried out, the people's courts at all levels in Ningxia also carried out a sentencing policy that combined punishment with leniency. First, this allowed criminal elements to confess and admit wrongdoing, which might result in a lighter sentence, a reduced

sentence, or a commutation of the sentence, thereby effecting a social breakdown of crime. Second, the courts followed the guiding spirit of the CPC's Committee on Administrative Law to implement, wherever possible, more temporary suspension of sentences and to allow probation for those less serious offenders, all in accordance with the law. For the whole year, 468 offenders, accounting for 17.55 percent of the total tried and sentenced, were given reprievals or probation, an increase of 2.68 percent over the previous year.

#### **Strengthening Trials on Economic Crime To Serve a Planned Commodity Economy During Reform, Opening Up, and Development of Socialism**

Increased understanding by people's courts at all levels in Ningxia recognizes the fact that reform, opening up, and the development of socialism to serve a planned economy are the guide to further strengthen trials on economic crime. First, the courts must have a full understanding, from an economic standpoint, of the serious danger of local protectionism affecting trial work. They can consciously resist and overcome local protectionism to seriously enforce the law, conduct impartial trials, defend the integrity of the state's legal system, and assure economic construction, reform and opening up in our region. Second, it is important for courts to efficiently leave their mark, especially with respect to cases affecting key links in the debt chain, for enterprises to be released from the debt chain and allow them to develop normally. Third, active provision of legal services to enterprises on site has a great effect on production and enterprise development. The timely prosecution, trial, and disposition of a case will protect the legal rights of the enterprise concerned and promote its development. For the whole year, a total of 1,621 cases dealing with contract disputes over purchases and sales, construction projects, processing agreements, property rentals, lending and borrowing, scientific and technological cooperation, joint operations, transportation and delivery etc., were received by the courts. Of these, 1,446 cases involving 76.546 million yuan to settle differences, were heard and disposed of, maintaining normal order in the planned commodity economy, and promoted development of reform, opening up, and a socialist economy.

For some economic disputes and civil cases, it was difficult to enforce decisions after the trials were concluded. This is a serious problem hampering the work of the courts in recent years. In 1991, people's courts at various levels in the region made another determined effort to carry out their work. On the basis of actual local conditions, they adopted the collegiate system, or met as an executive body whereby the whole court concentrated its time and effort to solve such cases. A total of 5,709 cases involving economic matters, civil affairs and administration were concluded in this manner. Some of these cases were rather difficult ones that had been held in obeisance for several years. By resolving these cases, respect for the law was maintained, legal rights of the

parties concerned were protected, and experience was gained in the expedient resolution of "difficult" problems.

#### **Greatly Strengthened Charge and Appeal of Trial Work in Civil Cases and Administrative Trial Work To Maintain Social Stability and Cooperation**

In 1991, people's courts at all levels in the region strengthened their work in trials of civil cases. They received a total of 9,235 civil cases, of which 8,857 were solved, the conclusion rate was 95.9 percent. Among them, 5,215 cases concerned marriage and family problems and disputes over inheritance, accounting for 52.88 percent of the total, ensuring the freedom of men and women to marry, protected the legal rights and privileges of women, children, and the aged, and glorified the traditional and national virtues of respect for the old and love for the young, and promoted the stability and integrity of marriage and the family under the socialist system. Trial of another 2,194 cases involving debt disputes accounted for 24.77 percent of the total, protected the proper relationship between creditor's rights and debts owed between citizens, and maintained the normalcy of everyday life and economic order in society. Trials of 1,086 cases involving damage and restitution accounted for 12.26 percent of the total, punishing illegal civil acts, and maintained social order. Trials of 192 cases involved fights over housing, land, forests, and water use, and resolution of these contradictory and easily caused disputes in a timely and satisfactory manner preserved social stability in rural areas. Trials of 21 cases involving intellectual property rights and personal rights were also resolved, thereby preserving the citizen's democratic and personal rights and his/her right to own property.

In 1991, administrative trial work in Ningxia also made progress. People's courts at all levels conducted administrative lawsuits in earnest and initiated administrative trials on a broad scale. They tried a total of 112 cases, an increase of 89.83 percent over the previous year; 107 cases were concluded, an increase of 84.48 percent over the previous year. Of these, 25 cases accounting for 23.36 percent of the total were dismissed, or the original sentence was changed. In 41 cases accounting for 38.32 percent of the total, the administrative punishment was retained. Charges were withdrawn in 36 cases, accounting for 33.64 percent of the total. Five cases were returned to their original units for review, accounting for 4.67 percent of the total. Through trials of these administrative cases, the legal rights and privileges of citizens, legal persons, and other organizations were protected, the legal authority of administrative agencies to carry out their responsibilities was preserved, and the relationship between the masses and the people's government became closer, to promote the development and perfection of a socialist and democratic government.

In 1991 the people's courts at all levels in Ningxia used service to the people as their motto to continually

improve their style of trial work. Court personnel welcomed the masses who came to court to present their charges and appeals, talked to them patiently, and satisfactorily solved their problems. For the year, letters and visits received by people's courts in the region totalled 14,949. Fifteen cases received by the court were studied and dealt with accordingly—whether the charge or complaint was dropped or withdrawn, or the charge and complaint were combined, or transferred or dealt with by some other means, or yet to be processed. Of appeals involving crime, civil affairs, economic or administrative matters 516 were retried, with the courts at various levels following suitable trial supervision procedures. Trial supervision made it possible for erroneous decisions to be corrected through a recognition of facts and suitable use of the law. By allowing a correct decision to be made protected the legal rights and privileges of the party concerned, preserved the dignity of the law, and eliminated some unstable social factors to promote stable social cooperation.

**Full Development of the Trial Function for Courts To Actively Participate in the Comprehensive Control of Social Order**

In 1991, people's courts at various levels in Ningxia fully developed their trial function and participated actively in the comprehensive control of social order, thereby allowing this work to undergo new and greater initiative. First was dealing a serious blow to criminal elements who seriously wreck social order. These criminal elements were used as negative examples at 103 large public trials, judgment was pronounced on 409 cases involving 770 persons. Altogether, a total of 560,000 from the general public witnessed these events. Second was developing the function of administrative trials and that of indictments and appeals in civil and economic trials to

solve a large volume of disputes between people, thus preventing the worsening of such negative situations and reducing the incidence of crime. Third the courts took advantage of a large number of real down-to-earth cases that were available to demonstrate the practical and suitable aspects of the law, and educate the masses on the law via the media, periodicals, radio and television, wall posters etc. Fourth law enforcement proposals were further strengthened to make various control measures more effective. Fifth ties among various groups concerned with public safety, investigation, law enforcement, labor unions, the Young Communist League, the Women's League and other educational agencies were strengthened, and established preliminarily a healthy trial and law enforcement system for underage offenders in our region to promote their education, conversion, and correction. Consequently, the number of young offenders in our region declined 30.70 percent from the previous year. Sixth was suitable and generous use of reprieve and probation for first offenders, chance offenders, and young offenders at the same time that strict punishment is meted out, in accordance with the law, to hardened criminals. For 671 offenders who showed good behavior during their reform-through-labor sentence, a reduced sentence or parole was granted, to encourage an active awareness among them to change for the better. Seventh establishment and work of the people's courts was further strengthened, the advisory role of the people's courts in mediation between organizations was reinforced, the role of the people's courts as "the first line of protection" was developed to solve a large volume of disputes between people at the grass-roots, and to advance the comprehensive control of social order at the grass-roots and rural levels. [passage omitted]

**Leaking of Classified Documents Reported**

92CM0307A *Taipei HSIN HSIN WEN [THE JOURNALIST]* in Chinese No 268, 2 May 92 pp 40-43

[Article by Lu Chao-lung: "Incidents of Leaking 'Daily Report on Major Developments Concerning Domestic Security' Information"]

[Excerpts] [passage omitted] Recently, a document classified as top secret, "Daily Report on Major Developments Concerning Domestic Security," leaked out. Relevant intelligence people confirmed that the content of the document was "The Daily Intelligence Report Submitted by the National Security Bureau [NSB] to the President and the Executive Yuan President."

According to a source, every morning the NSB sends the "Daily Report" to the president and the Executive Yuan president. Contents include the major intelligence reports prepared by the intelligence units the previous day. The intelligence is divided into three categories, domestic, international and mainland, and submitted together to decisionmakers for reference. The section on domestic intelligence is entitled "Daily Report on Major Developments Concerning Domestic Security."

This edition of the "Taiwan National Intelligence Daily" was four pages, covering intelligence collected between 2100 on 13 February to 2100 on 14 February. The contents were grouped into five categories, domestic political activities, campus activities, church activities, overseas separatist activities, and the status of public security. Of those, the category on domestic political activities covered "the Democratic Progressive Party," "pro-independence groups" activities" and "others."

The category on "domestic political activities" only included intelligence on DPP activities, but no report on the activities of the Kuomintang [KMT]. In addition, there was also a digest of the statement made by AIT Kaohsiung Branch Director General Joseph Donovan Jr. at the dinner given by the DPP National Assembly member Chou Ping-te on the evening of 13 February. The category on "campus activities" included intelligence on the "Academic Life Camp" sponsored by the National Student Association. The category on "overseas separatist activities" included intelligence on the activities of the DPP "American East Branch."

With regard to the question of why the "Daily Report" only provides intelligence on the DPP, it has been pointed out that the intelligence units do not target exclusively the DPP in gathering intelligence, and that usually the targets of intelligence gathering relating to domestic political activities include the KMT, the Social Democrats, and other small parties. At the same time, the activities of the KMT are also covered by the "Daily Report," except when there is no intelligence of interest that particular day. "But the person providing the information was very clever; he selected the intelligence report on a day when there was no report on the KMT."

According to a source, such is also the case with intelligence on church activities. "Not exclusively reporting on the Presbyterian Church; the 'Daily Report' sometimes also contained intelligence on the Hsian-yuan Society."

According to a source, the process of preparing the "Daily Report on Major Developments Concerning Domestic Security" is rather similar to the news-gathering done by the news media. The personnel of the domestic intelligence units are just like journalists. "The deadline for submitting written pieces" is 2100. Before that time, each unit sends "gathered" intelligence to the "editor's desk" at the third department of the NSB. If it is urgent, "texts can also be telephoned." The "editors" of the third department start their work in the evening. The work includes intelligence verification, selecting, editing, and lay out. Then it is typed, proof-read, and submitted to higher-ups for approval. Then it is "published." The next morning specially-assigned people send the report to "subscribers" in the Office of the President. The process of preparing mainland intelligence and international intelligence is the same as is used in the third department, except that the responsible unit is the fourth department.

According to a source, only a dozen copies of the NSB's "Daily Report" are printed daily. Besides the president and the Executive Yuan president who each have a copy of the document containing domestic, international and mainland intelligence, the director of the NSB and the secretary-general of the State Security Council also receive copies of the "Daily Report" every day. Senior administrators of the NSB also receive a copy. But government ministers do not receive the "Daily Report." Intelligence of particular interest to the relevant ministries and commissions is provided in the form of "memorandum." According to people involved, the "Daily Report" delivered by specially-assigned people to the president or the Executive Yuan president is always delivered to the office of the secretary-general of the Office of the President or that of the Executive Yuan, and the offices give signed receipts in return.

According to a source, intelligence in written form is sent by the NSB to decisionmakers in the forms of "daily report," "weekly report," and "special report." The "Daily Report" concentrates on domestic and mainland intelligence. It has a few pages on international intelligence, giving far smaller coverage than does the "Weekly Report" which contains weekly published analyses on the international situation. As pointed out, the "Daily Report" contains mostly routine intelligence. Intelligence on really important matters will be submitted in the form of the "Special Report." According to a source, Li Teng-hui's instructions to the NSB, or requests for some special information are transmitted by the secretary-general of the Office of the President Chiang Yanshih or the director of the secretariat Shu Chi-ch'eng; the NSB handles those instructions or requests by preparing "special intelligence."

At the end of last year, the NSB revealed the leaking of a secret document of the External Relations Association. But after less than six months, the "Daily Report" prepared by the NSB was again leaked. Having such frequent occurrences is rather like having a dinner of many courses in a restaurant, with one course served immediately after another. With regard to this issue, the people concerned, when providing the background, repeatedly emphasized that the two incidents are "of a totally different nature."

As pointed out, in the earlier case of leaking the document on "External Relations Association," what was lost was an internally submitted document, with only one copy. Therefore, the loss must have been "the job of people inside the bureau." However, the reason for the loss is beyond comprehension. In the current case of document leaking, there were a dozen copies. In the process of delivering the document, every juncture had security measures. However, the same was not done in the retrieval process. As a result, "security measures cannot be properly instituted in the retrieval process, and this gave some people opportunities." Herein lies the key to the leaking of the "Daily Report." In other words, the document can get "accidentally lost," when being read in the Presidential Office, the Executive Yuan, and the State Security Council, or when in the hands of the staff members. [passage omitted]

[Box, p 42]

#### Taiwan's Daily Intelligence Digest

[passage omitted] In terms of content of the document leaked recently, Taiwan's National Intelligence Daily, "Daily Report on Major Developments Concerning Domestic Security," is really "inferior." It would have been better not to have read it.

In the leaked "Daily Report on Major Developments Concerning Domestic Security," the intelligence digest prepared between 2100 on 13 February 13 to 2100 on 14 February included:

Conclusions reached at the "constitutional amendment seminars" sponsored by the DPP Central Headquarters, and held separately at the party headquarters in Yunlin County, Kaohsiung County, and Tainan City.

Conclusions reached at the New Tide faction's internal meeting held on the 11th.

The report that Chien Hsi-chieh asked the Taipei County Labor Bureau director Kuo Chih-jen to run for a legislator seat in Taipei County on behalf of the New Tide faction, and that Kuo Chih-jen accepted the invitation.

The report that the New Tide faction sent Chen Wents'an to visit Taoyuan County party headquarters deputy executive director and others to explore ways to develop the strength of the Taoyuan faction.

The key points of discussion at the dinner given by Hsu Hsin-liang for the Formosa faction cadres Wei T'ing-ch'ao and others.

The report that on the 12th the Department of Social Movement director Ch'iu Ch'u-chen disclosed the incident of Chang Chun-hung's tendering his resignation.

The topics of the training seminar of Taipei Region's Fund for Victims.

The report that the Taiwan Independence Alliance mobilized over 1,300 people from various counties and cities (with an annex of statistics on the number of people from various counties and cities) to stage a solidarity demonstration on the day when Chang Ts'an-hung's court trial begins.

The itinerary and schedule of the 28 February Compassion Association directed by Lin Tsung-yi.

The views expressed by AIT Kaohsiung Section's Joseph Donovan Jr. and his wife, at the dinner given by Chou P'ing-te, on the DPP's proposals on constitution-making.

The curriculum of activities at the National Student Association's "Academic Life Camp," attended by over 40 participants from the Chien Middle School, and the Ching-mei Girls Middle School . . . (participants' names are all listed).

The contents of the resolution adopted by the coordination meeting of the Presbyterian Church's "executive group for the 23 February mass demonstration in Taichung City."

Conclusions reached at the symposium on "the constitution and its clauses on the aboriginal people" sponsored by the Presbyterian Church and the Aboriginal People's Rights Association.

The report that the DPP Chiayi City headquarters plans to stage a "grand memorial service for those killed in the 28 February incident," and to select and destroy a bronze statue of Chiang Kai-shek in the city. [end box]

#### Rare Dialogue Between Two Political Heavyweights

92CM0308A *Taipei HSIN HSIN WEN /THE JOURNALIST/* in Chinese No 267, 25 Apr 92 pp 46-47

[Article by Ch'iu Ming-hui: "Liang Su-jung Expresses Bitterness, Shih Ming-te Analyzes the Trends—A Rare Meeting Between Shih Ming-te and Liang Su-jung"]

[Excerpts] Shih Ming-te and Liang Su-jung, wearing respectively a Taiwan independence hat and an anti-Taiwan independence hat, had a rare lunch together in the Antung room of the Lai Lai Restaurant on 13 April. One is a Democratic Progressive Party [DPP] Central Standing Committee member who was imprisoned for 25 years for political offence, and the other is a high-ranking Kuomintang [KMT] figure. [passage omitted]

In the past, one was a prisoner and the other was a KMT liberal. But after being tempered by the times and with

the changes in the political environment, Shih Ming-te has become one of the leaders of the largest opposition party, and Liang Su-jung has become a conservative in the eyes of many people, and is getting increasingly farther away from the KMT power center. During the more than two hour lunch, the question of unification or independence did not as expected become the main focus of debate; instead the factional struggle within the KMT became the topic that Liang Su-jung enjoyed dwelling on.

The friendship between Liang and Shih developed several years ago. When Shih Ming-te went on a hunger strike on Green Island, Liang Su-jung, having received Shih Ming-te's hunger strike declaration that was detained by the Defense Ministry for over 20 days, immediately requested an audience with Chiang Ching-kuo. Then he took a military doctor with him to Green Island to handle the matter. Finally, with help from Liang Su-jung, Shih Ming-te returned to Taipei from Green Island. During that period, Liang visited Shih Ming-te several times at the Third General Hospital. But later the KMT did not release those involved in the Formosa Incident as promised; because of that, Shih Ming-te refused to see Liang Su-jung again.

Last fall, at a party given by the American Institute in Taiwan, Shih Ming-te met Liang Su-jung again. That was the first time the two had met since Shih Ming-te's release from prison. Liang asked Shih why he did not try to get in touch after leaving prison. Shih replied: "You are a high-ranking KMT official, and it is not convenient to have contact with you. When you leave office, I will of course try to contact you."

It was based on such a promise that on the 12th Shih Ming-te personally telephoned Liang Su-jung, and suggested having dinner together. Without much consideration, Liang suggested that they meet the next day, and he also took the initiative to reserve the room in Lai Lai Restaurant.

Perhaps because the two understood too well each other's position, there was no debate based on ideological differences during the two and a half hour discussion. On the contrary, it was Liang Su-jung who gladly talked a lot about the behind-the-scenes aspects of KMT decisionmaking. Most of the time, Shih Ming-te acted as audience, and the atmosphere was harmonious. Afterwards, Liang Su-jung gave good marks to Shih Ming-te. According to him, Shih was rational in analyzing issues. According to Shih, Liang Su-jung demonstrated a profound sense of crisis.

The discussion of that day centered on Li Teng-hui, direct popular elections, the third plenum, and Taiwan independence. The discussion went back and forth among these subjects. Liang Su-jung recalled that when Chiang Ching-kuo died, Madame Chiang Kai-shek summoned him and Li Huan to her residence. She hoped that the decision on who would be the party chairman would be made in two months. But Liang and others

objected to this idea. Liang Su-jung was of the view that as the nation was then in a state of shock Li Teng-hui should immediately succeed as party chairman.

Liang Su-jung also discussed many of the rumors which surfaced during the March power struggle. According to him, the reconciliation conditions for ending the March power struggle were that Li Huan would continue as prime minister, that Sung Ch'u-yu and Sung Hsin-lien would step down, and that Li Teng-hui would give up the post of party chairman. Originally, Li Teng-hui planned to announce at the Central Standing Committee that for the party's future development, the president and party chairman need not be the same person. But because Ts'ai Hung-wen persuaded Lin Yang-kang, Lin withdrew ahead of time. In addition, Li Teng-hui was unhappy with Li Huan. As a result, Li Teng-hui totally reneged on his promises.

As for the difficulty between the two Lis, Liang Su-jung had his own views. According to him, the main cause was that one evening Li Teng-hui called on Li Huan at home, Li Huan was not in, Li Huan's wife could not receive guests because she was ill, and therefore did not open the door to Li Teng-hui. This led to Li's displeasure. In addition, the rumor about Li Huan's intention to seek the post of party chairman further strained the relationships between the two Lis. As a result, Li Huan stepped down in the end.

Liang Su-jung also mentioned a side episode in the power struggle. According to him, Ch'iu Ch'uang-huan was originally told to succeed as party secretary-general, and Hao Po-ts'un would succeed as Administrative Yuan president. After receiving the information, Ch'iu did not dare to disclose it to the public. But Hao Po-ts'un immediately announced it to the news media, thereby creating a fait accompli. The caution of Ch'iu Ch'uang-huan thus led to his failure. After hearing that, Shih Ming-te said: "Hao Po-ts'un was truly tough!" Liang Su-jung agreed with Shih.

The two also achieved some mutual understanding on the issue of direct popular election. Shih Ming-te was of the view that Liang Su-jung should not oppose direct popular election. He also told Liang that he himself was organizing an office for direct presidential election. However, it remains unknown whom the DPP would nominate for the election. He emphasized that he was a campaigner and promoter. But Liang Su-jung never came to understand that point and believed that Shih Ming-te himself would run. According to Liang Su-jung, during the two meetings for enhancing mutual understanding held at the party's central headquarters and at Taipei Hotel respectively, he expressed his views on the issue of direct popular election in the face of Li Teng-hui: Direct election is a one-on-one duel. In the future, it will inevitably become a competition between Shih Ming-te and you. Your prestige is high, but the people may not adequately understand. They may believe that

your independent Taiwan is not as good as Shih Ming-te's Taiwan independence. Even if you are good, the people may not understand.

With regard to the third plenum, Liang Su-jung was rather resolute in his view that Li Teng-hui in fact could win if only he would dare to allow a vote, but that he would not dare for lack of courage. Liang Su-jung also pointed out that it was rumored that Li Teng-hui met with Hao Po-ts'un and told him that he would continue as prime minister the next February. Therefore, Hao Po-ts'un supported direct elections. At that time Liang immediately asked Li Huan and Hsu Li-nung to go with him to call on Hao Po-ts'un to inquire about the matter. But Hao Po-ts'un immediately denied it, and said that he still supported indirect elections.

With regard to this incident, Shih Ming-te criticized the indirect election faction for having tactics but no strategy. He believed the indirect election faction only knew how to disrupt the scheduled process, but would pay too high a price for such disruption. They might achieve some gains, but would be considered conservatives. Many acquired "persecution paranoia," because of their vested interests. Many could not resist temptation, and would be persuaded if only Li Teng-hui would give them something sweet.

Shih Ming-te proposed his theory of "tripolar balance" to Liang Su-jung when analyzing the Taiwan situation. He said: "Currently the three forces in Taiwan are the KMT mainstream faction, the KMT nonmainstream faction, and the DPP and other opposition forces. If there is a tripolar balance, the situation would be more stable than a bipolar situation. But as the nonmainstream faction is fighting as hard as possible against Taiwan independence, the DPP has to cooperate with the mainstream faction, thus greatly destabilizing the situation in Taiwan. Shih Ming-te hoped that Liang Su-jung would recognize the force for Taiwan independence, and would not destroy the tripolar balance." Liang Su-jung largely agreed with this theory, and said that he would invite some friends to discuss this issue.

It was rumored recently that the U.S. attitude on Taiwan independence had slightly changed, and that the U.S. would not oppose the exercise of the right of self-determination by the people of Taiwan to opt for independence. Liang Su-jung especially asked Shih Ming-te about the possibility of such information being true. Shih Ming-te said that it was true according to his own understanding. But Liang Su-jung expressed a different view. There is no written record, and it would be difficult to say whether George Bush would give support when Taiwan declared its independence. Liang also cited Lin Jung-san's argument that if the CPC would not attack Taiwan, 90 percent of the people would support Taiwan independence, and he would also have no objection in that case. Liang Su-jung believes that once the DPP establishes the Republic of Taiwan, non-Taiwanese and loyal party members would all feel threatened. Shih Ming-te tried to placate Liang by saying that the matter

is not so serious and that he would not discriminate against non-Taiwanese. [passage omitted]

### DDP's Constitutional Reform Proposals

92CM0290B *Taipei TZULI WANPO* in Chinese  
10 Apr 92 p 2

[Article by Kuo Shu-yuan (6753 3219 1254): "DDP's Three Proposals for Constitutional Reform"]

[Excerpt] [passage omitted] Part I. Of the Democratic Progressive Party [DPP] constitutional reform proposals, the parts (eight chapters) on "Taiwan Constitution" put forward eight constitutional reform plans. The main points are:

Revision of general principles—This constitution applies to the national territory of Taiwan, Penghu, Quemoy, Matsu, and other affiliated islands, which cannot be changed by plebiscite.

Upgrading people's rights and duties—The law cannot stipulate the death penalty as the only punishment. The system of prior inspection or approval must be forbidden. The right of subsistence, the right of having a decent environment, the right of work, the right of labor, the right of property, the protection of diversified culture and language policy, academic freedom, national health insurance, etc., must be protected.

Protection of civil rights—Establish a civil rights committee to draw up, execute, and supervise the implementation of civil rights.

Article on political parties—Political parties cannot set up offices in public agencies (except in representative offices). Political parties must publicize their source of funds. They shall not monopolize or use national resources in an advantageous way.

Article on direct presidential election—Based on the principle of separation of powers, the president has the executive power. Citizens shall directly elect the president and vice-president. Persons who get over half of the total valid votes shall assume their offices. The president shall preside over the state conference.

Article on a unicameral congress—Congress is the highest legislative body of the state. There shall be one president and one vice-president in congress. Congress shall approve presidential appointments of ambassadors, the intelligence/police director, and the chief of staff. Congressmen cannot assume other offices.

Article on the judiciary—Establish a constitutional court. Judges cannot join political parties. They hold tenure positions.

Article on aborigines—Aborigines have the right of autonomy. The central government will set up a special office for this matter. The head should be of aboriginal nationality.

Other major constitutional reform proposals include:

Article on protection of personal freedom.

Laws cannot mandate the death penalty as the sole penalty.

Article on education and culture.

Article on equality for women.  
 Article on environmental protection.  
 Article on agriculture and fishery.  
 Article on finance and economy.  
 Article on social welfare, protection of human rights and right to medical treatment.  
 Article on abolishing the national assembly.  
 Article on abolishing nuclear power plants.  
 Article on constitutional revision by plebiscite—Constitutional revision has to be approved by over half the votes in a plebiscite to take effect.  
 Article on plebiscite.  
 Article on financial division in local autonomy.  
 Article on judicial autonomy.  
 Article on aborigines.  
 Article on renaming aborigines—Amei nationality, Taiya nationality...etc., should be given the name of aboriginal residents nationality.

Part II. Of the 37 regular constitutional revision bills put forth by the DPP, three are concerned with interpretation of the constitution—1. Whether judges can be national assemblymen. 2. Whether national assemblyman Chang Hsiao-tsi's [4545 1321 1964] position as the acting president of Soochow University violates the University Act that university presidents cannot assume other offices. 3. Whether Ma Ying-chiu [7456 5391 0046] and several other people as national assemblymen representing the nationwide district violates the constitution that officials cannot be elected national assemblymen in regions where they assume office.

Part III. Major points of other regular constitutional revision bills are:

Military spending cannot exceed 20 percent of the annual budget of the central government, except during an election period.

Observe 7 April as freedom of speech day, the day Cheng Nan-jung [6774 0589 2827] set fire to himself.

Abolish the policy of making black lists and the regulation that people on the black list cannot return to Taiwan for residence.

Establish a human rights committee.

Request the president to issue general pardon, mitigate sentence, or restore civil rights to political prisoners.

The Executive Yuan should withdraw the budget for the fourth nuclear power plant as soon as possible.

The presidium of the National Assembly should set up the "Taiwan Promotional Association To Join the United Nations."

Solve the issue of wartime comfort women.

Abolish the National Unification Council.

Acquittal and release of political prisoners.

Formulate the Sunshine Act soon.

Carry out nationalization of armed forces.

Implement local autonomy.

Change territory.

### New Characteristics of Juvenile Delinquency in 1991

92CM0290C Taipei TZULI WANPO in Chinese  
 9 Apr 92 p 2

[Article by Chen Po-kuang (7115 0590 1639): "Changes in Style and Number of Juvenile Delinquents"]

[Excerpt] [passage omitted] Analysis by the Ministry of Justice on juvenile delinquency in 1991 shows that the number of juvenile delinquents has increased a great deal over 1990. The reason lies in the great increase of people taking amphetamines and the rise of gambling crimes. At the same time, in 1991 the number of young people aged 15 to 16 who committed crimes was the highest over the past 11 years.

The Ministry of Justice pointed out that most young criminals commit theft; next is violation of amphetamine and other illegal drug regulations, and last is gambling cases.

Criminal cases involving youths between the ages of 18 and 24 are mostly gambling; next is violation of illegal drug regulations, and theft is third.

The Criminal Research Center of the Ministry of Justice also found that in 1991 violent crimes by both teenagers and young adults such as robbery, which had increased for many years, noticeably declined.

Officials of the Ministry of Justice said that gambling crimes among the young are related to electronic games of a gambling nature. Beside playing electronic games, many young adults are hired by retailers of electronic games. During police raids, employees of toy retailers are also detained and sent to court as suspects. Therefore, there was a big increase in gambling crimes among the young in 1991.

### Obscurantism in Education Criticized

92CM0290A Taipei TZULI WANPO in Chinese  
 12 Apr 92 p 4

[Article by Chiu Shou-jung (6726 1343 2827): "Ignorance Means Violence"]

[Excerpt] [passage omitted] Unfortunately, in the alleged economic miracle of Taiwan, "obscurantism in education" is practiced. Not only is obscurantic education carried on without reservation, but is proceeding at full speed, showing both authority and efficiency. Behind authority stands the so-called educational theory, and in front of efficiency there is a variety of statistics. I would like to ask prominent educators whether they have put their foot in the students' shoes by living such a brutal school life, and facing a fiercely competitive society. No, of course not. We are good officials, and promotion increases knowledge.

We have to view the so-called distinction between power and ability in the opposite way. There is nothing to

correspondence to Sun Yatsen's observation that the government has the capability and the people have the power. In reality, people have no power and the government is weak. This is true of politics as well as of education.

Everyone who has learned about the recent educational storm is shocked, and others are indifferent. To conform to the political situation, society, education and culture are turning the clock back together, going back to the time of Confucius, if "people" cannot be made to understand, they can be made to follow."

Does the "high school voluntary enrollment program," "average middle school five-point grade system," "five-education advancement program in middle schools," etc., sound like good and benevolent politics? Then, why are there waves of opposition everywhere, and why are the masses indifferent?

Officials, however, assert that "the opposition, no matter how great, is a minority." At the same time, they claim that "this is a time of democracy, so we should respect the majority opinion, and the minority should comply with the majority!"

Officials are the rulers, and are government VIPs. Do they understand what democracy is? Do they understand that democracy does not simply mean "the minority complies with the majority?" Do they understand the opposite of the concept, which is "the majority respects the minority?"

The rulers have never complied with the majority. Why is it that they easily maintain despotic rule? On the surface, it seems to go beyond comprehension. The secret is deeply hidden in a mixture of "knowledge" and "ignorance." Rulers know well that the people do not understand democracy or the legal system. The practice of obscurantic education over the past 40 years is getting more effective year by year. How can it be easily given up? The rulers not only take advantage of the situation where the masses are ignorant of democracy and the legal system, but also try to make the phenomenon a standard of social movements, and make every use of the rule.

What the rulers are not aware of is their own ignorance. Ignorance of democracy is just one thing. The ruler does not know that those who praise his "knowledge," those who show dog-like loyalty to his "knowledge," and those who clear the way for his "knowledge" are poisoning his mind, making him forget his role as a public servant, putting him in opposition to the masses, and even aiming guns at his own fellowmen.

The ruler's greatest ignorance is his enjoyment of obscurantism, making himself holy royalty and savior of the world.

As a result, the national examination is abolished; classes of talented children disappear; classes of herdsboy cease to exist; and after-school classes vanish...

As a result, children's textbooks look like comics; kids go home without schoolbags, and they can play healthy electronic games at school; moral education is also graded using the five-point system; kids have the freedom of not learning mathematics if they do not like it, and as a result...

Do you know how after-school classes started? Why do classes of herdsboy and classes of talented children exist? What are the evils behind the examination system?

The national examination system is not the most heinous crime. Even "examination directing teaching" is merely an accessory. The prime culprit is the replacement of teaching by examination, transformation of school into after-school classes, classes for talented children damage creativity, classes for herdsboy kill self-esteem, and classroom instruction uses the teaching principles of the last-century.

There is no smooth road to knowledge. The swamp of ignorance is densely distributed like stars in the universe. Forcing one's way pretending that one knows is worthless behavior, the kind of behavior devoid of morality. Ignorance-related behavior is violence. Educational authorities refuse to face their own violence. Recently, they cited some isolated statistics to confirm the success in mathematics and science in elementary and middle schools to prove their achievements. Employees of the Ministry of Education work as hard as those in other government agencies. We are not criticizing them, but the black hand behind them.

Despite the saying that the ignorant are innocent, I would like everyone to think that when our children begin to stand out at the international Olympic Contest of science and mathematics, more than one-third of school children will become drop-outs and sink into depravity. Here, the concept of "drop-out" is a problem. Let's talk about it later as a subject of knowledge.

#### Investment in Mainland, Southeast Asia Subdued

92CE0411C Taipei CHING-CHI JIH-PAO in Chinese  
5 Apr 92 p 2

[Article by Po Fu-mei (4101 1381 5019): "Feverish Investment in the Mainland and Southeast Asia Will Temporarily Cool Down; Ministry of Economic Affairs Predicts That Global Recession Will Force Investors To Change to More Methodical Tactics"]

[Text] The feverish investment by Taiwanese businessmen in Southeast Asia and the mainland will temporarily cool down.

Officials at the Ministry of Economic Affairs [MEA] predict that the frequent rumors of unprofitable foreign investments in recent years, as well as the recent global recession, will force investors to adopt more methodical tactics. While investment by Taiwanese businessmen in Southeast Asia and the mainland will continue to

increase, it will not do so by the phenomenal leaps and bounds of the last five years.

Kao Yi-hsin [7559 0001 1800], head of MEA's Investment Office, notes that labor-intensive industries will gradually expand their move abroad from the former destinations in mostly Thailand, Malaysia, and the mainland into new markets in Vietnam, Cambodia, etc. In addition, Taiwanese businessmen will adapt to market unification in Europe and America by intensifying their investments and purchases in both continents to acquire advanced S&T and sales channels.

The government approved 1,237 foreign investment projects by Taiwanese businessmen amounting to more than \$4.7 billion from 1959 to 1991, foreign investment went to the U.S. first, Malaysia second, and Europe third (particularly Britain and the Netherlands, in the establishment of duty-free corporations in which Taiwanese enterprises control the stock), the actual amount of foreign investment by Taiwanese businessmen was far larger than the officially approved figure.

But the most recent statistics from the MEA's Investment Approval Commission show that Taiwanese businessmen won government approval for 55 foreign investment projects in the first two months of 1992, amounting to only a little more than \$220 million, or about 66 percent less than in the first two months of 1991. This includes the greatest declines in foreign investment by Taiwanese businessmen of about 94 percent to Malaysia, 80 percent to Indonesia, and 55 percent to Thailand, with an increase in that to all places in America of about 40 percent.

Huang Ch'ing-t'ang [7806 1987 1016], head of the Examination Group of MEA's Investment Approval Commission, said: "Taiwanese businessmen have already moved all labor-intensive production abroad that they can, and this investment should decrease in the next year."

He analyzed the increased foreign investment by Taiwanese businessmen in the last five years, much foreign investment has resulted in unprofitable operations, with many of the statistics reported back to MEA's Investment Approval Commission by the manufacturers and business firms involved showing that foreign investment operations are a losing proposition. While the abundance of cheap labor costs in Southeast Asia, the mainland, and South Asian countries has attracted investors, it is definitely not as easy for investors to operate plants and establish relations with local governments overseas as it is for them to do so in Taiwan. Labor-capital relations in Taiwan are no longer as strained as they were, the NT dollar is no longer constantly appreciating, and Taiwanese businessmen are gradually adapting to the high-wage domestic operating climate, and are more willing to improve their operations through more production automation. Foreign investment will gradually decrease.

Taiwanese investment in Southeast Asia used to be concentrated in Thailand and Malaysia, rising wages and the inability of public construction to keep pace with the growth of foreign investment in these countries have forced Taiwanese businessmen to gradually shift their investments to Indonesia or newly-opened markets in Vietnam and Cambodia. Kao Yi-hsin, who has just returned from Bangkok, Thailand, said: "There are now over 2,000 Taiwanese investors in Thailand. Although Thailand's overall investment climate is considerably poorer than it was, because Thailand has hard workers and abundant resources Taiwanese businessmen are not likely to decrease their investment, but it will not continue its phenomenal growth of the last five years. In addition, Thailand and Malaysia are going to 'graduate' in two or three years from the U.S. preferential tariff list (GSP), and Malaysia has made provisions to guarantee jobs for Malaysians, Taiwanese businessmen are going to gradually shift their investments to Vietnam and Indonesia where there are less restrictions."

As for the mainland, more than 2,500 investment projects by Taiwanese businessmen have been reported to and registered with the Investment Approval Commission [IAP], the IAP points out that only 55 of the indirect investment projects in the mainland by Taiwanese businessmen from 1991 to February 1992 are new ones. This shows that the most recent investment in the mainland by Taiwanese businessmen certainly does not have the steam that they did before the ban was lifted on indirect investment in the mainland.

Kao Yi-hsin believes that because all labor-intensive industries that can go have already done so, in addition to the current government restrictions on investment, the short-term investment trend will be more subdued than it was in the past.

#### High Economic Growth May Dissipate Quickly 92CE0359A Taipei TIENHSIA [COMMON WEALTH] in Chinese No 130, 1 Mar 92 pp 13-23

[Article by Lin Chao-wu (2651 2507 2976): "The Enigma of High Growth"]

[Excerpts] Pulsating numbers seem to be causing a one-sided optimism about Taiwan's economy. In 1991 Taiwan had an economic growth rate of 7.2 percent, exports increased 13 percent, and had the third largest foreign trade surplus and the largest foreign exchange reserves in the world. But stimulating numbers conceal disturbing news. Taiwan's manufacturing industry has invested 40 percent more overseas than at home, and industry has been moving abroad at the fastest rate in the world for three years in a row. Almost 80 percent of Taiwan's 1991 trade surplus came from entrepot trade through Hong Kong with mainland China, and Taiwan's dependence on exports to mainland China has tripled in five years to 6.1 percent. What hidden significance is reflected by such completely different sets of numbers?

How are the manufacturers who created Taiwan's economic miracle regarding such glorious numbers? How can Taiwan create a totally new national competitiveness?

Taiwan's economic performance in 1991, despite the adverse factor of the first negative growth in the world economy since the 1930s, should be the cause of endless praise. In 1991, Taiwan had an economic growth rate of 7.2 percent, exports increased 13 percent, reaching \$76 billion, and had the third largest foreign trade surplus and the largest foreign exchange reserves in the world.

But Taiwan's seemingly powerful economy is actually concealing signs of particular crises.

#### Taiwan's Economy Is Beset With Crises

**Manufacturing industry capital is moving abroad at a faster pace.** While the move abroad of the labor-intensive manufacturing industry is regarded in Taiwan as natural, what is unnatural is that the Taiwanese manufacturing industry has been moving abroad at an exceptionally fast pace, and its domestic investments are clearly at a standstill. Estimates show that the overseas investment growth rate of Taiwan's manufacturing industry has exceeded its domestic investment growth rate for the fifth year in a row.

**The costs of land and wages are increasing rapidly, and workers cannot be found.** While rising wages and labor shortages are natural for developing countries, what is unnatural is that not only are labor costs in Taiwan's manufacturing industry rising far more than in the U.S. and Japan, but even higher than those in the other three little dragons. Labor shortages are creating another serious problem for manufacturing industry investment and operation.

A questionnaire sent to 1,000 large enterprises by TIENHSIA found that as many as 74.5 percent of manufacturers and business firms felt that the most adverse factor to investing in Taiwan was the high operating costs, and the second most adverse factor was that workers could not be found (58.6 percent).

**Taiwan's dependence on mainland Chinese markets is increasing rapidly.** While foreign economic relations and trade exchanges between Taiwan and mainland China are being increasingly regarded as normal, what is abnormal is that Taiwan's dependence on exports to the mainland has tripled in five years, jumping from only 2.04 percent in 1986 to 6.1 percent by 1991. While the mainland has shot up to become Taiwan's fifth largest export market, exports to Hong Kong, mainly entrepot trade between Taiwan and the mainland have made Hong Kong Taiwan's second largest export market, second only to the U.S. The uncertainty over foreign economic relations and trade between the two sides created by the unclear political future, has become a new crisis for Taiwan's economy.

While other numerical graphs do not convey the sense of crisis, in-depth interviews by TIENHSIA's editorial staff with all enterprise strata found many grievances, such as a sense of helplessness over the inability to find workers despite employment notices having been posted for a year, the letdown over not knowing what steps to take next after having shut down seven factories, indignation over watching others earn more profits from operating KTV during one week of New Year's festivities than one has earned in a whole year of hard work running a factory, facing calls to raise the value of the Taiwan currency, and pressures one after another.

These phenomena may not seem to have much explosive force when taken separately, but they certainly form an alarming pattern when pieced together.

#### Tremendous Structural Changes Have Occurred

Taiwan's economy has faced tremendously sharp structural changes in recent years. Having been pushed and squeezed by both domestic pressure and enticement abroad, labor-intensive industries have been rapidly eroded through shutdowns, changes to other industries, moves abroad, and one after another of the old "Taiwan first" industries have very quickly disappeared. New "Taiwan first" assault operation originally relied on high-tech industries as the vanguard, industrial technology bottlenecks have prevented it from escalating in pace with the move abroad of labor-intensive industries.

For example, the personal computer industry, which had always been considered a shining star, is now also in trouble (see TIENHSIA No 128). There is no place to invest the funds that have been freed by the lack of labor-intensive industries in which to invest. There is competition to invest in consumer goods, leisure time, and luxury goods industries, and to profit from scarce domestic land and manpower resources, which is causing the cost of these things to skyrocket. This is then obstructing high-tech development, and putting upwardly mobile structural pressure on all industries to move abroad.

For example, Su K'o-kang [5685 0344 0474], the manager of Yingch'un Enterprises, the world's third largest producer of computer keyboards, admits frankly that once the mainland opens up, he will set up shop there, "because, in contrast with our Hong Kong competitors, it is labor costs alone that we are most afraid of."

As Taiwan's Matsushita and Hsiling Electronics have also announced that they will produce HDTV and digital switchboards in the mainland, it is thus obvious that the structural move abroad has gradually expanded into technology-intensive industries.

#### The Mainland Has Become the Patron

The emergence of the mainland market has opened up a timely door for Taiwanese industries that are under pressure with no way out. Taiwan's dependence on and investment in the mainland market have grown rapidly

## TAIWAN

in the hotbed of the CPC's disposition to build, Taiwanese businessmen's unchecked pursuit of profits, and the government's active neglect of relevant policies, Taiwan's dependence on the mainland has become the greatest potential crisis for Taiwan's economy. This is due to the competition of investment in mainland China with industries that stay in Taiwan, and the accompanying political uncertainty.

Taiwan's economic storm is also gradually brewing up around the mainland market.

In 1991, mainland China, which had been politically and militarily confrontational for four decades, turned overnight into a backer of Taiwan's economic growth.

Hong Kong has become Taiwan's second biggest export market, as well as its greatest source of trade surpluses. Hong Kong accounted for \$10.4 billion of Taiwan's \$13.3 billion foreign trade surplus in 1991, and mainland China is the final destination of most Taiwanese exports to Hong Kong.

While Taiwan estimates that its 1991 entrepot trade turnover with mainland China through Hong Kong was \$5.8 billion, or more than 43 percent higher than in 1990, most academics and businessmen think that the figure was actually higher.

A clothing manufacturer confesses freely that "without the mainland market, I would not have survived in 1991!" He finally closed his two plants in Taiwan only at the end of 1991, the profits produced by his mainland factory in Zhejiang were more than enough to induce him and his friends in Taipei to begin to discuss their next investment plans for the mainland.

The mainland has provided an arena for export earnings by Taiwanese enterprises, but the sharply increasing trade relations have brought tension and unease to Taiwan's economy. "I think that the mainland is sooner or later going to be lead Taiwan by the nose!" This was another concern expressed by Wu T'ing-nan [0702 1694 0589], the general investment advisor and manager of the Yut'ien Public Relations Enterprise, who has taken two fact-finding tours of the mainland.

Although some academics note that there is certainly no cause for worry, as the \$5.8 billion in exports to the mainland account for less than 10 percent of Taiwan's exports, Hsu K'o-sheng [6079 2688 3932], the Minister of Trade, points out that the current figures announced by Taiwan were provided by Hong Kong customs, and there is actually no way to calculate some of the many Taiwanese exports to the mainland through Hong Kong, the actual amount of Taiwanese exports through Hong Kong to the mainland is absolutely much higher than the announced figures.

### Taiwan Has Lifted Mainland China Up in Just Three Years

Even more importantly, the mainland is the region where small and mid-size Taiwanese enterprises have

been investing most intensively and expanding most rapidly in recent years. Business circles estimate that at least 80 percent of Taiwanese enterprises in the foot-wear, leather bags, toys, and umbrella industries have already moved to the mainland. In addition, at least 3,000 manufacturers and business firms have invested \$2 billion in the mainland.

This industrial transplanting apparently seems to be merely a transfer of production base, it has actually put dual pressure on Taiwan's economy, i.e., external pressure from overseas competition, and internal pressure by squeezing out and reducing domestic production.

As for overseas competition, the time of close combat on the economic battlefield between the two sides has long since been sharply curtailed due to the large investments in the mainland by Taiwanese businessmen. With the skilled direction of Taiwanese businessmen, not only have the traditional industries that gave Taiwan its claim to fame, such as shoes, hats, clothing, toys, and textiles, been submissively surrendered to the mainland, but even Taiwanese exports to the U.S. market of electronics goods, such as black-and-white TVs, radios, and tape recorders, have also been totally replaced.

One footwear manufacturer sighs with regret that "while it took Taiwan two decades to raise itself up to a world-class level, it has lifted the mainland up in just three years!"

But the true harm to Taiwan's economy is still being caused by the losses due to the internal squeeze. Chung Ch'in [6945 3830], an assistant research fellow at the Chunghua Economic Studies Institute, presents the following rigorous proof of this: Every \$100 million investment by Taiwanese businessmen in the mainland not only helps mainland China to increase its exports of labor-intensive products by \$216 million, but also, as these compete with Taiwanese products on international markets, reduces Taiwan's GDP by \$300 million due to the loss of industry.

"While trade may not be a pitfall, investment certainly is!" When analyzing the difference between investment and trade between Taiwan and mainland China, Chung Ch'in points out that while trade may be simply a mutual exchange or supplementation of commodities, foreign investment, as it moves enterprise production bases and technology completely abroad, not only reduces domestic production activities, but also supplants former domestic industrial competitiveness.

Whether the growing freedom in foreign economic relations and trade between Taiwan and mainland China is competition or mutual supplementation, is still under sharp debate. A representative of a U.S. company in Taiwan said most frankly that "Taiwan and mainland China are still in the stage of using each other, with us looking at their vast territory and abundant resources, and them hoping that we will bring money."

### Investment Is a Trap

Politics aside, Guangdong and Fujian as a single economic entity certainly has extremely attractive business conditions. As this was the region with the fastest economic growth rate in the world in 1991, if combined with Hong Kong and Taiwan, its population of 150 million would be bigger than Japan's.

Such aspirations have led to the formulation in January 1992 by people in Taiwan, mainland China, and the Pearl River Delta of the following most popular idea: "A Greater Chinese Economic Circle." The conception of mainland and Hong Kong scholars is that by combining Hong Kong's management and banking and Taiwan's funding and technology with mainland Chinese production, the Greater Chinese Economic Circle would become the economic engine to drive the Asian Chinese economy.

But its detractors worry that in working with the CPC, it is necessary to consider the CPC's basic nature and bottom line of sticking closely to the general orientation of "politics being in command of economics" and "politics being inseparable from economics," to avoid self-deception. Hsiao Ch'uan-cheng [5618 0356 2398], a professor of political science at Taiwan University warns: Ideas such as "a greater Chinese economic circle" actually imply confrontation and conflict between a greater Chinese economic group led by the CPC with a U.S.-Japanese economic group. "While the idea of national emotions as the basis of an economic alliance naturally has advantages, it also has extreme limitations. While mutually complementary economic relations could naturally be beneficial, they might also be catastrophic!" [passage omitted]

In fact, the depth and breadth of involvement in the mainland by Taiwanese businessmen, and the mainland's economic development trends, has already led to a return to investment in operating factories in Taiwan that produce primary and semi-finished raw materials.

### Taiwan Is Being Emptied, Fujian Is Becoming Taiwanized

The manager of a leading enterprise that supplies semi-finished petrochemical raw materials frankly admitted that he originally planned to invest \$800 million NT in 1992 to expand our raw materials production equipment in mainland China. The U.S. threatened the PRC in January with 301 retaliation, because U.S. buyers have become concerned about the instability of mainland goods supplies, and have already made plans to reduce within two years their orders with Taiwanese businessmen in the mainland by more than 50 percent. This news has put our investment plans on hold. However, many factories that produce semi-finished and primary raw materials have already made plans to move to the mainland and invest in setting up plants there.

Taking a longer view, the craze over investment in the mainland has actually accounted for a large part of the

loss of traditional Taiwanese industries, and the rapid increase in overseas investment by traditional Taiwanese industries in the 80s has already seriously affected Taiwan's further industrial progress. Taking the period of greatest overseas investment by Japanese enterprises from 1970 to 1980 as an example, overseas investment by the Japanese manufacturing industry was only about 10 percent as much as its domestic investment, overseas investment by the Taiwanese manufacturing industry from 1988 to 1990 averaged more than 40 percent as much as its domestic investment. This pace of industry moving abroad was "the fastest in the world."

Even more alarming is that the survey by TIENHSIA of 1,000 large enterprises found that 58 percent are planning to invest in the mainland in the next two years, which is far more than the 45 percent that are planning to invest in Taiwan.

"Taiwan's economy is 'Taiwan is being emptied out, Fujian is becoming Taiwanized,'" in a diagnostic report on Taiwan's economy at the end of 1991, Tupian Lifu [3256 6708 0448 1133], a well-known Japanese economist, sincerely pointed out that Taiwan has the income of a developing country, it has the industrial structure of a developed country, income from the service sector is too high, and income from the manufacturing sector is too low. Wages, land prices, and environmental protection standards entered the level of an advanced nation early.

A influential American economist at present, also gave the following warning in a special article in TIENHSIA in early 1991: Taiwanese enterprises are moving abroad at too fast a pace. "If it continues to move its production base overseas, Taiwan will absolutely not remain in the ranks of the industrialized nations!"

In fact, many entrepreneurs who are leaving are doing so involuntarily. While alluringly low costs in mainland China and southeast Asia are naturally an extremely attractive enticement, Taiwan's rapidly deteriorating production climate is actually the greatest driving force behind the unprecedented move abroad by Taiwanese manufacturers.

### The Options Are Give Up or Move to the Mainland

Tai Sheng-t'ung [2071 0524 6639], the headgear king, asks "what choice would you make, give up on Taiwan or move to mainland China?" Meanwhile, Tai Yi-i [2071 0001 5030], the leather handbag and briefcase magnate who refused to set up shop on the mainland four years ago on the grounds that it would be like "Ch'ing Dynasty troops being tempted into a trap by the Ming Dynasty holdout Wu San-kuei," finally moved to mainland China in 1990 because he could no longer take the pressure. He said helplessly that "as the government has renounced all hostility, I could no longer stand alone against the Communists and Russians!"

Of all the adverse factors to investment in Taiwan, the labor shortage has become the most prevalent headache for Taiwan's manufacturing industry. The red paper job recruitment posters that used to be pasted on telephone poles along Chungkang Road in T'aichung's industrial zone have been replaced one by one with high-pressure billboards, where eye-catching job advertisements in flashing neon lights beckon to passersby to slow down. Businessmen explain that this is because the labor shortage has become so normal that to save the trouble of tearing down posters, they have simply put up longer-life and trouble-saving neon billboards.

Liao Lu-li [1675 4389 4539], chairman of the board of Meilu Electronics, a company that makes two-way radios and microphones, poured out his grievances. Setting up shop in the mainland "is not because of the cost pressure, but rather that there is basically no one willing to do the work in Taiwan." As the rapid mobility of Taiwanese workers not only affects the whole production process, but also causes unstable worker quality, I am unable to deliver goods on schedule despite a steady flow of orders to my Taiwan factory. "While we have favorable conditions, a fine manufacturing base, marketing skills, and a world-wide marketing network, our most basic need is people who are willing to work!"

While there is not a shortage of capable people, work values have changed in recent years, so that young people are willing to work only in service trades, mostly consumer services. Huang Chin-ch'uan [7806 6855 2938], general secretary of the Toy Workers Union, recalls that while electronics service companies used to recruit only 18-year-old female operators, they later steadily raised the recruitment age to 35, 40, and 45 until there was eventually no age limit, and even finally raised it to over 50 as long as recruits were healthy. Huang Chin-ch'uan says with a hint of sarcasm that "this is called exploiting surplus and idle labor."

#### Infected With the U.S. Sickness

Analysis of a research report shows that from 1987 to the end of 1991, Taiwan's manufacturing industry population sharply decreased by more than 400,000, with a loss in industries, such as clothing, textiles, and manufactured plastic goods (shoes and leather bags) of about 300,000! During the same period, the service trade and business population sharply increased by more than 140,000.

Factory closings also began in 1987, steadily worsening to an accumulative total of more than 2,500 closings in five years.

One social observer sighed that "no other country has discarded its industry as radically and quickly as has Taiwan!"

Many economists have always felt that the focus should be on production. In moving away its traditional or "sunset" industries, such as textiles and shoemaking, Taiwan certainly has very quickly and submissively

surrendered these nonhigh-tech product markets that created its economic miracle.

But is growth necessarily a process of abandoning old things?

Japan and Germany, which are the leading engines of the world economy and have the most advanced S&T, have not only experienced declines in their traditional manufactured goods trade, but have even achieved yearly surpluses, so have not abandoned it. On the other hand, since the U.S. put its economic focus on moving out of traditional industries, its world market competitiveness has declined steadily and disastrously. One textiles manufacturer said angrily that "Taiwan's economists and government officials have all become infected with the U.S. sickness."

Japan and Germany have effectively applied knowledge and technology to the "production process." Even in producing the simplest things, they have constantly improved their production processes and created their own competitive advantages.

A famous analyst on national competitiveness, has pointed out that while a country's competitiveness may change over time, it is necessary to have new advantages to fill up the gap when old ones gradually die out to maintain overall national industrial competitiveness. He concludes that the keys to acquiring new competitiveness are "clear government policies and better teachers."

He pointed out that the way to deal with Taiwan's new situation of a rapidly deteriorating industrial climate and steadily increasing foreign economic relations and trade with the mainland is for the government to get involved in making overall decisions. One social observer asks "is not the problem a do-nothing government?"

#### Government Council Says Economy 'Growing Steadily'

OW2805104392 Taipei CNA in English 0838 GMT  
28 May 92

[Text] Taipei, May 28 (CNA)—The Taiwan economy has been growing steadily for 12 months and the upswing will continue through the rest of the year, the Council for Economic Planning and Development (CEPD) said Wednesday.

Reporting on the country's economic performance in April, the cabinet-level council said the local economy fared fairly well during the previous month.

The index of coincident indicators, which the CEPD uses to measure the nation's economic performance for the month, stood at 136.88 in April, up 1.28 percent from the year before.

The CEPD thus gave a safe "green light" rating on the April's economic performance. "It was the 12th straight

month that the local economy registered steady growth," noted Li Kao-chao, director of the CEPD's Research Department.

"It was also the longest, uninterrupted 'economic expansion' period since May 1979," Li added.

The index of leading indicators, which measures the economic performance in the months ahead, edged up 1.5 percent from the year-earlier level to 110.84 percent in April.

"The numbers show that the domestic economy will continue to grow moderately in the foreseeable future," Li explained.

Most local entrepreneurs shared Li's view on the country's economic prospects. A CEPD survey of 800 industry executives conducted in April found that 86 percent of the respondents expect their business prospects to either change for the better in the next three months or at least remain almost the same as in April. Only 14 percent said the economic outlook might get worse in the months ahead.

Of the nine major indicators that the CEPD uses to measure the economy, seven remained in the same "rating" categories in April. They were the indices of wholesale prices, exports, industrial production, bank lending, employment in the nonfarming sector, export orders and check default rate.

Only two economic indicators got different ratings in April as compared with the preceding month, according to the CEPD report. The narrowly defined M1B money supply grew at an annual rate of 16.5 percent in April, the highest level in two and a half years. The CEPD thus signaled an alarming "yellow-red light" on the indicator. It was the first time in three years that the M1B money supply got a "heated yellow-red" rating.

The M1B, which comprises cash in circulation and checking and passbook savings deposits, is seen as the most telling indicator of the country's credit situation. The high growth has caused widespread concern that domestic commodity prices may rise further because of growing liquidity on the monetary market.

Ranking CEPD officials, however, said the higher-than-expected M1B growth in April will not necessarily fuel inflation. The money supply, engine of economic activities, is not the sole factor in determining commodity prices, they stressed.

The stock index turned from a "yellow-blue" to a gloomy "blue light" rating in April as the local bourse remained mired in recession and many investors kept on the sidelines.

### Economic Council Predicts Consumer Price Stability

OW0506095792 Taipei CNA in English 0806 GMT  
5 Jun 92

[Text] Taipei, June 5 (CNA)—Domestic commodity prices will gradually stabilize in the second half of the year, three leading economic strategists predicted Thursday.

"Given the appreciation of the New Taiwan dollar and the steady decline in wholesale prices," Chang Wen-po, director of the overall planning department of the Council for Economic Planning and Development [CEPD] said, "domestic consumer prices are unlikely to rise dramatically in the coming months."

Chang pointed out that the high inflation in the first half year was not triggered by changes in the overall economic structure, nor had anything to do with the launching of the multibillion-dollar Six-Year National Development Plan.

He cited as evidence that the country registered a huge trade surplus in the first five months of this year, an indication that domestic demand remained sluggish. Government tallies show the country enjoyed a trade surplus of \$4.91 billion in the January-May period, up 35.7 percent from the year before.

Lee Kao-chao, director of the CEPD's economic research department, shared Chang's view, saying that the unusually steep hikes in consumer prices in recent months were not caused by economic structural changes.

"Substantial rises in food prices, fresh vegetables and fruits in particular, were the culprit behind the higher-than-expected inflation in recent months," Lee noted.

The consumer price index (CPI), which measures domestic consumer price changes with 1986 as the base year, has been climbing at an annual rate of more than 4 percent since last November. Preliminary statistics show that the CPI jumped about 6 percent in May as compared with the year-earlier level. It was slightly lower than April's rise of 6.14 percent, but was still far higher than the targeted 3.5 percent.

Thomas Yeh, director of the CEPD's controller's department, said the economic machine has rolled along smoothly since the Six-Year Plan shifted into high gear last July. With the domestic money supply kept at normal levels, Yeh said, recent hikes in food and gravel prices should be short-lived and won't trigger serious inflation.

The U.S. Federal Reserve Board recently forecast that America's inflation rate will drop to 3 percent in 1993 from this year's 4 percent since the U.S. economy is not expected to recover strongly and major commodity prices will remain stable on international markets.

"Against this background," Yeh concluded, "the upward spiral in domestic consumer prices will lose steam before long and gradually stabilize."

The Directorate General of Budget, Accounting and Statistics (DGBAS) said yesterday that the ratio of food spendings to total household expenditure has declined steadily in the past five years.

Due to changes in consumer habits, the DGBAS said the food spending ratio dropped to 29.48 percent of the total family expenditure in 1991 from 35.57 percent in 1986.

By contrast, the ratios of housing, transportation and educational and recreational spendings have increased during the same period. The percentages of rents, transport costs, and tuition and entertainment bills rose to 23.7 percent, 13.6 percent and 28.7 percent last year from 21.5 percent, 7.6 percent and 28 percent in 1986.

The cabinet-level agency has decided to revise the CPI computing formula in order to better reflect changing consumer habits here, an official said.

The yet-to-be-finalized formula will give less emphasis on food prices so that fluctuation in farm goods prices will have less impact on the CPI, the official added.

#### Quarterly Balance of Payments Declines From '91 Level

*OW0506094192 Taipei CNA in English 0810 GMT  
5 Jun 92*

[Text] Taipei, June 5 (CNA)—Taiwan's international balance of payments in the first quarter was \$1.48 billion in the black, a fall of \$175 million as compared with the same period of last year, the Central Bank of China (CBC) said Thursday. Current account surplus plus the figure of error and omission minus capital outflow leaves the balance of payments, CBC officials explained.

The CBC reported that current account surplus in the first three months of this year reached \$2.38 billion, an advance of \$126 million from year-earlier levels. Error and omission was \$280 million.

The current account is considered the best gauge of a country's international competitiveness because it measures not only trade in merchandise but also trade in services and investment flow between countries. Exports and imports in the current account are measured when contracts are settled, and are different from the more commonly used customs-clearance trade figures announced separately by the Ministry of Finance.

CBC tallies also showed that net capital outflow in the first quarter more than doubled that of a year before to \$1.18 billion. Of the outbound amount, long-term capital totaled \$828 million and short-term capital \$358 million. The gain in long-term capital outflow came from the increase in purchases of overseas real estate, while

remittance and repayment of loans abroad triggered the growth in outward short-term capital, CBC officials pointed out.

#### Export-Import Gap Narrows in May

*OW0506094092 Taipei CNA in English 0755 GMT  
5 Jun 92*

[Text] Taipei, June 5 (CNA)—The structure of Taiwan's foreign trade improved in May, with the gap between exports and imports greatly narrowed, the Ministry of Finance reported Thursday.

Customs tallies show that in May Taiwan's merchandise exports increased a mere 2.9 percent from the year before to \$6.99 billion, while imports surged 19 percent to \$6.08 billion. As a result, Taiwan registered a trade surplus of \$910 million in May, a substantial decline of 46 percent from the year-earlier level.

Despite its lackluster growth rate, May's export amount remained at normal level, a ministry official said. Taiwan's exports reached a peak in May 1991. The high base for comparison resulted in a modest growth rate for this May, he explained.

Total exports for the first five months increased 13.9 percent from the same period of 1991 to \$33.3 billion, the official said. Nevertheless, he cautioned that Taiwan exports to Japan and Europe declined 10 percent and 12 percent, respectively, in May as compared with year-earlier levels.

Hong Kong, an entrepot for Taiwan-mainland China trade, remained Taiwan's fastest-growing export market, the official said. Taiwan exports to the British colony climbed 35 percent during the January-May period, and Taiwan's trade surplus with Hong Kong reached \$5.2 billion, higher than its total trade surplus for the five-month period.

The official attributed the high import growth for May mainly to increases in gold, crude and transportation equipment imports. Gold imports surged 71 percent and transportation equipment imports rose 40 percent during the month. He noted, however, that the overall import structure did not improve greatly during the five-month period. Capital goods imports rose 10 percent while consumer goods imports posted a 35 percent gain from January to May.

#### NT Dollar Unlikely To Fluctuate Dramatically

*OW2605090192 Taipei CNA in English 0749 GMT  
26 May 92*

[Text] Taipei, May 26 (CNA)—There exists no major factor that could lead to dramatic changes in the new Taiwan [NT] dollar's value at the moment, a senior banker said Monday.

"With the foreign exchange supply and demand almost balanced on the local monetary market, I see no reason

for our currency to fluctuate drastically against the greenback," noted Peng Hui-nan, general manager of the foreign exchange department of the Central Bank of China.

Peng was commenting on a forecast by a noted American economist that the NT dollar is likely to rise to NT\$23 or NT\$24 against \$1 within the next one or two years. The NT dollar edged up 1.1 cents from last weekend to close at NT\$24.989 against \$1 yesterday.

Dr. Lawrence R. Klein, who won the Nobel Prize in economics in 1980, told a news conference shortly after his arrival last Sunday for a weeklong visit that he expects the NT dollar to appreciate further since Taiwan has continued to enjoy large trade surplus.

In response, Peng said he disagrees with Klein on the exchange rate issue.

Peng explained that the Republic of China has adopted a floating system since the early 1980s to let market forces determine the NT dollar's exchange rate.

"Under this system," Peng stressed, "it is the market force of supply and demand that will dictate the exchange rate between our currency and the greenback."

Peng went on to say that although Taiwan has enjoyed constant trade surplus, which may increase foreign exchange supply on the local monetary market, a large portion of the surplus has been offset by tourist spendings and direct overseas investments.

Peng cited trade figures for the first four months of this year to justify his claim. Taiwan registered a trade surplus of \$4 billion between January and April, but tourist expenditures during the same period reached more than \$2 billion and overseas investments in the first quarter alone totaled \$1.2 billion.

"All these tallies pointed to balanced supply and demand of foreign exchange on the local monetary market," he noted.

In fact, Peng said, the demand for foreign exchange has outpaced the supply since late March because of seasonal factors. Many local importers have traditionally placed orders with foreign suppliers in spring.

"Against this backdrop, there is little room for the NT dollar to appreciate at least for the time being," Peng added.

### Postal Savings Top 1.23 Trillion New Taiwan Dollars

OW2705113592 Taipei CNA in English 0741 GMT  
27 May 92

[Text] Taipei, May 27 (CNA)—Taiwan's postal savings topped NT\$ [new Taiwan dollars] 1.23 trillion (US\$49.2 billion) as of the end of April, Shia Ho-sheng, director general of the Directorate General of Posts said Tuesday.

He said there are 21.4 million postal savings accounts at present in Taiwan. He attributed the popularity of postal savings to the convenient and efficient services the postal offices provide to the general public.

He said that, equipped with computers and 1,045 automatic teller machines, the 1,000 postal offices in Taiwan are providing very efficient service to customers.

### Editorial Views Investments in Southeast Asia

OW0406150692 Taipei CNA in English 1400 GMT  
4 Jun 92

[Text] Taipei, June 4 (CNA)—The following editorial appeared in Thursday's EXPRESS NEWS, an evening daily published by Central News Agency.

#### Best Place for Investment

Vice Minister for Economic Affairs P.K. Chiang warned recently of the worsening investment environment in Malaysia. Pointing to increasing labor cost and problems in law and order in the Southeast Asian country, Chiang said that his ministry will no longer encourage our businessmen to invest in that Southeast Asian country.

This must be bad news for our businessmen, because Malaysia has been one of the most popular places for them to make foreign investment. According to one estimate, Taiwan is the biggest foreign investor in Malaysia in 1991, with total investment of \$2.3 billion. Now that the investment environment there is turning worse, our businessmen will have to look elsewhere for investment opportunities.

Malaysia, of course, is not the only Southeast Asian country that has seen large investment from our businessmen. But conditions in other Southeast Asian countries are not any better.

Thailand has just gone through a bloody political turmoil, and will take a while to reestablish political stability. In the Philippines, although the presidential election took place without serious incidents two weeks ago, there is still no official announcement of the result, and the future of its political situation remains uncertain. Neither of the two countries, therefore, seems a good place for foreign investment for the time being.

Our businessmen have also been investing in mainland China, primarily in the coastal provinces of Guangdong and Fujian. The investment has been profitable by virtue of the reformist policies in these provinces. These policies, however, are subject to sudden reversal at the whim of the mainland authorities, and therefore, are not the basis for long-term investment.

If our businessmen carefully look around the area, they should find that the best place for their long-term investment is right here, at home, on this island. Despite occasional demonstrations in the streets and fistfights in the legislature, our political situation is still one of the most stable in the world. While our labor cost has also

been increasing we can still maintain our competitive advantage in the world by increasing our productivity, which is certainly achievable given the level of our workers' intelligence and diligence.

The government has asked our businessmen to "keep their roots in Taiwan," while making foreign investment. In our opinion, it is not only politically right for our businessmen to invest at home, but also economically sound.

**Editorial on 'Copycatting' Environmentalists**  
OW0106143792 Taipei CNA in English 1355 GMT  
1 Jun 92

[Editorial from 1 June EXPRESS NEWS, an evening daily published by CNA "An End to Copycatting"]

[Text] Taipei, June 1 (CNA)—Protesters clashed violently with police at a Chinese petroleum Corporation oil refinery at Talin in suburban Kaohsiung last Tuesday. At least 69 policemen and 13 protesters were injured in the bloody showdown that ended a long siege of the huge petroleum complex, which started on May [word indistinct].

Hundreds of protestors, almost all of them Talin residents, began laying the siege after the oil refinery stacks spewed steam that came from the [word indistinct] of boilers following a maintenance checkup. The steam, of course, was harmless, but the people had lived in the shadow of the polluting oil refinery too long to stand idle.

The besieging residents demanded that the state-owned company pay NT\$800,000 [new Taiwan dollars] or \$32,000 per household in compensation and set up a huge fund for the improvement of medical facilities in their neighborhood.

And they had many a shining example to follow for their personal gains. Residents in nearby Linyuan besieged a petrochemical complex and won more than NT\$1.3 billion or \$52 million in compensation not too long ago.

There was a difference, however. Copycatting did not work at Talin.

The enforcement authorities [word indistinct] by Premier Hau Pei-tsun's [Hao po-tsun] visit, dug in their heels and forcefully terminated the unlawful siege of the Talin oil refinery.

We are sorry that blood had to be shed to remove the copycats. But that was the price Taiwan has to pay to ensure fast economic growth, while maintaining law and order.

Demands have to be reasonable. In the case of Talin, the oil refinery was innocent, and could in no way comply with the demand for compensation.

The Talin anecdote has also taught profit-minded environmentalists a new lesson. They should know copycatting does not pay any more.

**Editorial on Supervision Over Public Projects**  
92CE0411A Taipei CHING-CHI JIH-PAO in Chinese  
1 Apr 92 p 2

[Editorial: "The Trouble Is Neither Covert nor Overt Bidding Tricks"]

[Text] As bids are being taken on trillions of NT dollars worth of public construction projects, and building contractors are steeling themselves as they must in preparation for bringing all of their skill into play to win contracts for the most lucrative jobs, the competition is becoming increasingly intense, and bidding tricks that are being employed are also becoming increasingly combative. The use of all possible under-the-table tricks, such as personal connections and political coercion for preferential tariffs, has naturally become a common practice, and stands are even being made with gunfire in attempts to use the most primitive means to frighten competitors out of bidding to protect turf. The underground force that has been hovering around both the overt and covert bidding on public construction projects for some time, has truly put people in a cold sweat about the bidders and the departments that are in charge of the bidding, as well as over the fate of our vital transportation, water conservancy, and housing construction projects.

While the importance of the bidding process is certainly undeniable, because it involves the cost of the construction projects, the quality and durability of the projects, the success of the building contractors, and the completion on schedule, or even completion of the projects, the difficulties in the bidding process cannot be underrated either, because they directly involve the conflict of interests between the parties. While the departments in charge wish to hold down the costs as much as possible to economize on the use of public funds, they also hope that the projects will be of good quality and durable to ensure that the public can safely use the facilities and promote their well-being. But building contractors are out to make profits, and hope to win bids at the highest prices while meeting bid requirements at the lowest costs to earn the maximum profits, they are likely to provide the lowest possible quality, willfully drag out the construction process as long as possible to gear it to their personnel and equipment operations, and look for all kinds of excuses to demand additional funding to increase their profits. If the interests of these two parties can be reconciled correctly, the most ideal outcome will be that society will acquire the best quality public facilities at the minimum cost.

To achieve such an ideal outcome, the following two key conditions will have to be met: First, since the two parties will spare no attack or defense efforts, and are well-matched, the departments in charge in particular,

which are responsible to the public for guarding the pocketbook and overseeing quality, must absolutely not be placed in an inferior position. Next, project quality and construction details must be as fully transparent as possible, so that the overseers can either discover and promptly demand the correction of flaws with a moderate amount of effort, or display enough intimidation through rational contract standards to make contractors exercise self-restraint, so that they do not dare to lightly overstep the bounds.

Regrettably, neither of these two conditions will be easy to meet in today's society. The building contractors who bid on the projects will absolutely and without a doubt make strong efforts to use all means possible to either win bids at the highest amount or constantly seek additional funding to increase profits, and will also rack their brains to conceal construction flaws, scamp work and stint material to lower construction costs. But the iron-ricebowl wage system of the personnel in charge, who are responsible for controlling costs and overseeing quality, makes it very hard to train personnel who will be exacting enough to bother about trifles, or who will be scrupulous about details when dealing with bidding manufacturers and business firms at key junctures, such as budget funding, winning bid amounts, and additional funding. These personnel are likely to be too lazy to persevere in getting to the bottom of construction omissions and quality defects, so will simply go through the motions and let people off wherever possible. What is even more terrible is that as all of these key junctures that they are in charge of guarding can earn them sizeable amounts of cash profits, if they guard them even a little carelessly, or are unwilling to be scrupulous, the door is very likely to be opened wide to the combined threats and inducements of bribes. Both the covert and overt bidding tricks come from the bootlickers who are inevitably attracted by such unequal matches.

Thus, the cause of the current overt and covert tricks surrounding the project bidding process, which are making it impossible to either correctly report the winning bid costs or ensure the planned project quality standards, is neither covert recklessness nor overt troublemaking, but rather the severe deficiencies in the whole public bidding process and oversight system per se. Not starting in this area, but simply hoping to catch and punish a few unlucky small-fry as a warning to others, or trying to use stern threats to scare powerful figures out of their attempts to acquire preferential tariffs through coercion, will not really work. As to the formal vacillation over things, such as minimum and rational bids, such threats and warnings would be even more futile and self-tormenting.

We think that while it will be almost impossible under the current system to give the same strength to the departments responsible for taking the bids and overseeing the work as that of the bidders, we could at least use effective checking and oversight, as well as severe penalties against those guilty of dereliction of duty and corruption to scare them out of treating lightly their duty of guarding key junctures, or even more so to keep them from neglecting their duties when faced with threats or inducements. While this may not be the most ideal method, it could still be accepted reluctantly. In the area of the task of taking bids per se, we could make a greater effort to close the following gaps that could easily cause trouble: First, as to construction details and quality requirements, we must draw up the most complete and specific stipulations, in addition to penalties that are fully intimidating, combined with effective and feasible inspection methods to take some of the steam out of the idea that bids can be won by a fluke. Second, as to additional project funding, we must reach clear agreements in advance, draw up proper formulas that can be calculated precisely, and clarify the jurisdiction of the standards accepted by both parties to make it impossible for those who win low bids to use anything in this area as a pretext for demanding additional funding. Third, we must thoroughly improve our public construction work oversight system, by enhancing its professional capabilities and work incentives to make it hard for winners of bids to lower their costs by doing shoddy work and using inferior materials. Finally, we must conduct strict assessments of the quality of contractors' work upon the completion of every project, precisely calculate cost effectiveness, and set up complete case files as important references for future bidding. If vital flaws cause a loss of prestige for building contractors, and make it impossible for them to win future public construction bids, this will be the greatest force for self-restraint by building contractors.

If these restraints can reduce the opportunities for building contractors to scamp work and stint material, slim their hopes of getting additional funding, and keep them from reaping staggering profits, so that they can only earn reasonable profits through efficiency and hard work, I believe that neither covert or overt bidding tricks will be able to prolong the current drooling with envy over public construction projects. Furthermore, if we can use effective oversight of fair trade laws to curb concerted actions and introduce fair competition, we will be able to put both the bidding and actual work of public construction projects onto the right track, which might be the only drastic measure that can deal with the situation.

### Future Role of Affairs Advisers

92CM0286A Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 267, 1 Apr 92 pp 20-21

[Article by He Li (0149 4539): "Hong Kong Affairs Advisors: Are They Preparing To Become the Body That Rules Hong Kong?"]

[Text] By inviting the first Hong Kong Affairs advisers selected from Hong Kong to come to Beijing, ceremoniously issuing letters of appointment, and making an effort to publicize this event, the CCP is wielding it as a tool to influence public opinion. The CCP's official mouthpiece has gone on at length about its hopes and desires for these advisors, but has "omitted" the scope of the work Beijing has decided for the Hong Kong Affairs advisors. Clearly it is because the Communist authorities have not made an official announcement, thus the official mouthpiece also does not dare speak hastily. As for why there has been no announcement, it is believed to be because Beijing believes that making such a statement would cause concern among the Hong Kong people regarding the role of the Hong Kong Affairs advisors.

Governments must find people to do the work, and each job must have limits. Hong Kong Affairs advisors selected and appointed by Beijing are naturally no exception. It is reported that the work Beijing has stipulated for the advisers has four points: One, they will consult and provide opinions on matters related to the 1997 transition. Two, they will reflect the desires of the Hong Kong people. Three, they will discuss and research specially designated topics. Four, they will serve as a bridge between China and Hong Kong, and representing the Chinese side explain to the people of Hong Kong the policies of the center.

Of these four points, the first three are generally not that sensitive, simply raising opinions, and assisting the central authorities in drafting policies for Hong Kong. When it comes to acting as a bridge linking China and Hong Kong, this is also quite interesting, as the official mass media also centers on reflecting the desires of the Hong Kong people, and expanding direct links.

But when advisers explain central government policies they acknowledge some sensitivity, and even some advisers who accepted appointment feel awkward. At the least, among the first group of 44 advisers, more than one person has reservations on this point, and in private has indicated that the advisers are not Beijing's spokespersons, and must not defend central government policies. In particular, some central government policies are unwelcome, and at present they refuse to have the Hong Kong Affairs advisors represent the Chinese side and "peddle" policies to the people of Hong Kong.

As for the appointment of advisers, the hired mouthpiece indicates they "show respect for the aspirations of the Hong Kong people," and say that the first batch of 44 appointed individuals have a "wide representative nature," coming from all walks of life, every social

stratum and circle. There are business figures, professionals, political figures, and even social service, religious, labor, and mass organization representatives, as well as National People's Congress [NPC] and Chinese People's Political Consultative Conference [CPPCC] members. These people are officially believed to have abundant experience, especially those who have thrown themselves into economic activity and have been successful, and there are also some who have experience in and understanding of Hong Kong's legislative and administrative branches and the functioning of the Hong Kong government.

No doubt Beijing in choosing the Affairs advisers gave the matter a lot of thought, and then choose this group of people. But the public image of these people has attracted considerable criticism. The vast majority of them have good relations with Beijing or are intimately familiar with the intentions of the Chinese side. A number of them have logged "meritorious service" in the process of advising on and drafting the Basic Law. Hence, the appointments by Beijing cannot avoid seeming to be "rewards" and "thank you gifts."

At present, among this group of advisers, there are also some who say that within the 44 people there are a number of distinct groupings: Some are a token presence, for example, "elder" figures from political and business circles; some are fond of being close to the center of power, for example those "men of insight" who manifest love for China. Therefore, some are only out to get their names on the list first, and some are seeking favor, even wanting to play the part of spokesman for China in Hong Kong, and striving to flaunt this.

One low ranking Affairs advisor even went so far as to say that when personnel from Beijing's official organ in Hong Kong, XINHUA met with him, he also at one point considered the issue of the image of other advisor candidates, and was worried that by becoming a member himself, he would also change and become of the "same type." As for the situation where Beijing was seeking advisers, he noted that he was not satisfied with its "transparency," and the "different treatment," as some people had had long conversations with high ranking officials of the Hong Kong and Macao Office concerning their letter of appointment, some had only been briefly informed by XINHUA officials to pack their bags, and arrive at the airport.

This time when Beijing appointed the advisers, one of the key points announced by the Chinese mouthpiece was that no "second power center" would be allowed to emerge. The official explanation was that the Hong Kong Affairs advisers were accepting the appointment and expressing their opinions on an individual basis, and were not establishing an organization, were not setting up a working body, and hence there could be no possibility of the existence of a "second power center."

In fact, a "second power center" already exists, and the Hong Kong Affairs advisors need not play this role. In

talking about a "second power center," it is necessary to go back to the 1950s, when Beijing once proposed to Britain setting up an official representative body in Hong Kong, but the British side was adamantly opposed, believing that this could result in the existence of so-called "two power centers," which would have Hong Kong and Britain "only remain under one flag, one name," and with "limited power," influencing its ruling interests. After the 1997 issue came out, particularly after China and Britain had reached an agreement, China's level of intervention in Hong Kong grew on a daily basis, and the influence of the XINHUA Hong Kong branch office greatly expanded, and a "two power centers" structure was formed. If today China wants to influence or intervene in Hong Kong, there is a Hong Kong Affairs Office in Beijing, Hong Kong has XINHUA, between China and Britain there is the Joint Liaison Group, and what this latter group does not discuss can be "raised" at the foreign affairs level. After Hong Kong enters the "post transition period," China will want to concern itself with all issues that straddle 1997, which will in essence little short of "communist administration." This being the case, how can the Hong Kong Affairs advisers be termed a "second power center?"

In addition, the Hong Kong people do offer their opinions to Beijing, they offer certain advice, and perhaps there are people to serve as bridges between Hong Kong and China, to struggle with or give favor, and it seems that they differ only in terms of title with the Hong Kong Affairs advisers, who on the whole are mere "hangers on or hacks" for Beijing.

But how can this group of "hangers on" be attracted only by Beijing's intentions? To take over Hong Kong, Beijing must make all sorts of preparations, and of particular importance is to talk over and discuss a take over team. Beijing set up the Hong Kong Affairs advisers believing it would have the function of attracting and fostering a future team for ruling Hong Kong.

In 1997, if Beijing does not directly dispatch officials to take over, in accordance with the Basic Law it drafted, the top official of the Hong Kong Special Administrative Region [SAR] administration must be selected by an elected body. Beijing's plan is that in 1996 an SAR Planning Committee will be established to plan and organize the Selection Committee for the first government. This Selection Committee, according to the stipulations of the Basic Law, will be made up of Hong Kong citizens, and will have 400 members, including NPC representatives, CPPCC members, figures serving in Hong Kong's Executive and Legislative Councils and advisory organs, figures representing all social strata and all walks of life, and the selection scope is the same as for the currently chosen Hong Kong Affairs advisers. There are only four years remaining until the return of sovereignty in 1997, and it is time to start preparing for this. Beijing's first selected group of advisers amounts to 44 persons. There will be a second and third group, and it

will gradually expand its attraction. Although high-ranking officials of Beijing's Hong Kong Macao Office have stated that the advisers will only serve for two years, they will not necessarily have any connection with the 1996 SAR Planning Committee members. But according to the current trend, the Hong Kong Affairs advisors could very well become the SAR Planning Committee and the first Government Selection Committee, responsible for producing the team that will take over Hong Kong in 1997.

In the mind of Beijing, the committees planning, organizing, and selecting the first SAR government, and the future team ruling Hong Kong, cannot be selected from the democratic groups which gained rapid success in Hong Kong's first direct elections. When Beijing selected the Hong Kong Affairs advisers in this instance, none were chosen from the democratic groups. The Chinese mouthpiece criticized the democratic groups pointing out that they maintained a "knee-jerk opposition to China" and in particular, after 4 June consistently opposed China. Hence the need to "eliminate" these "groups opposing China."

Finally, let us return to the issue of the role of the Hong Kong Affairs advisers causing the people of Hong Kong worry. If their role is only to reflect opinions, link China and Hong Kong, and even serve as representatives of Beijing, this all amounts to anticipating Chinese issues, and their influence will be limited. What makes people more worried is that they are one step away from possibly turning into a tool for creating a team for ruling Hong Kong in the future.

#### Post-1997 'Legal Vacuum' Speculated

92CM0287A Hong Kong CHING PAO /THE MIRROR/ in Chinese No 177, 5 Apr 92 pp 11-13

[Article by Wang Yong (3769 0516): "In 1997 'Legal Vacuum' Could Emerge in Hong Kong"]

[Excerpt] [passage omitted] The Sino-British Joint Declaration and Hong Kong's Basic Law both state that after 1997 Hong Kong's original legal system will remain unchanged, so that after 1997 Hong Kong's current legal system will be able to continue to play a role.

However, in the final analysis, the handing over of sovereignty in 1997 will be a very large social change for Hong Kong, and preserving Hong Kong's original legal system before 1997 will be virtually impossible. In the wake of changes in social conditions, the legal system will also undergo a definite change. This is an objective law of development for a legal system. Within a certain period of time before and after the transfer of sovereignty in 1997, due to the fact that a certain portion of the old system will have been abolished, while the new system will not yet be established and old deficiencies will exist, there could emerge in Hong Kong, within certain limits, a "legal vacuum."

A so-called "legal vacuum," results from gaps in sections of the law, and occurs when legal adjustments are not made for certain social activities or social relations, and control is lost over people's behavior. This is concretely manifested in the following ways: First, law enforcement and judicial departments, in their law enforcement and judicial activities, have no law to follow. Second, people have no law to adhere to, and there is no law to protect peoples' rights and interests. Third, there is no legal punishment for those who break the law. Of course, though a "legal vacuum" could emerge in Hong Kong in 1997 it will not necessarily lead to a chaotic social situation, because the bulk of the original laws will be preserved, and only a small portion of the original laws will be abolished. But it is this small portion that also will attract the greatest attention, because it could lead to a loss of control over a relatively large scope of social activity, and hence lead to social chaos within certain limits.

Why is it possible to talk about the emergence of a "legal vacuum" in Hong Kong in 1997? If we analyze the question from many different view points and from all sides, we can find a number of reasons and factors. For example, some could see political factors playing a role, but if we look at it only from a legal angle, then there are four main reasons:

First, after 1997, an extreme change will have occurred in the social conditions or social framework on which Hong Kong's original legal system depends. Therefore, a certain portion of the original laws that depended on the original social conditions and the existing laws will not be suitable for the new social conditions and social framework, hence they will also lose their legal effect. For example, at present Hong Kong's laws related to the citizenship of residents, laws related to the legal status of residents, and laws relevant to preserving the rights and interests of British suzerainty, will certainly not be effective in post-1997 Hong Kong.

Second, according to the stipulations of Hong Kong's Basic Law, after 1997, all laws that contradict the Basic Law will cease to have legal function. This means that the following problem will arise, original laws will be abolished, and the new substitute laws will not yet have been drafted. In the period of abolishing the old laws and drafting the new ones, it is possible that within society a certain "legal vacuum" could emerge. For example, among current Hong Kong laws there is a legal statute that preserves British interests, and in terms of punishment, intent to overthrow the British crown or the British government constitutes a crime of rebellion, and will be dealt with severely. After 1997, because sovereignty over Hong Kong will be turned over to China, the above described legal statute will certainly be abolished, but in this case how is one who intends to overthrow China's central government to be punished? Although there is a stipulation in principle related to this in the Basic Law, it can only be made a concrete law through Hong Kong's future Legislative Council (Legco). The future Legco will not be able to decide on this within a

short period after 1997. Hence, in this aspect, it is certainly possible that a "legal vacuum" will emerge, and could lead to a period where there is no way legally to deal with those advocating the overthrow of the Chinese government.

Third, after 1997, because of the changes in Hong Kong society, there will inevitably be a host of new social problems, for example, the issue of mainland professionals doing business in Hong Kong and the legal status and rights of personnel accredited to Hong Kong's relevant central government organs (for example, foreign ministry, defense ministry), etc. Because of all the new problems that could emerge after 1997, there will be no ready made legal solutions for them, and in the wake of the continuous development and change in the Hong Kong Special Administrative Region (SAR) after 1997, there will be an increasing number of new problems. The SAR Legislative Council will not be able to immediately implement laws for handling these problems. This could under certain conditions create a "legal vacuum" situation for the future Hong Kong.

Fourth, Hong Kong's current common law system could have a certain effect on the emergence of a "legal vacuum" for post-97 Hong Kong. Common law, as well as judicial precedent, has been established on the basis of stipulations derived from judges deciding cases. Hong Kong's common law is derived from British common law. British common law is not immutable, but is developing and changing. For a long period of time, Hong Kong common law has developed and changed in the wake of British common law. However, after 1997, the source of Hong Kong's common law will finally be cut off. In losing this source, what will be the fate of Hong Kong common law? Will Hong Kong common law be able to develop on its own independently? These questions demand study of solutions. If adequate solutions are not found, this will impact Hong Kong's common law based legal system, and effect its stability, thereby influencing to a certain degree the emergence of a "legal vacuum."

If a "legal vacuum" emerges in post-1997 Hong Kong, it will have three major consequences:

First, it will produce a certain degree of confusion in Hong Kong's political, economic and social order. The local and even the national political, economic and social order are established on a legal foundation. If the laws are imperfect or incomplete, this will inevitable effect the establishment of the entire political, economic and social order. In particular, under British control Hong Kong has already gradually established an effective legal system on this foundation, and formed an excellent social order. If after 1997 problems emerge within this social order which has relied on an established legal foundation, this will inevitably have a tremendous influence on Hong Kong's entire social order, creating a certain degree of confusion.

Second, it could create an expansion in the future administrative authority of Hong Kong, creating a situation in which law is replaced by administration. Under good legal conditions, administrative authority accepts legal strictures, but in a situation where the legal system is incomplete or a certain "legal vacuum" emerges, the function of administrative power will be fully manifest. This in itself is based on the need for social management, which is beyond reproach. But long term development under this type of situation leads to administrative power that will far exceed legislative power and judicial power, upsetting the balance between the three powers, and thereby also losing the restrictions placed on administrative power. The result is not beneficial to the development of democratic politics.

Third, it could create a situation where the Chinese central government will be forced to interfere in certain situations. For example, if after 1997 the Hong Kong SAR Legco drags its feet and does not pass laws to deal with those advocating the overthrow of the central

government, and a "legal vacuum" emerges with regard to this issue, and rebellious elements are not punished, this will undoubtedly force the central government to interfere.

Understanding that in 1997 a "legal vacuum" could emerge in Hong Kong, we should take active measures to avoid the emergence of this problem. But looking at the situation at present, people want to avoid this issue, and deal with the many existing difficulties, among which there are two more prominent problems: First, the Hong Kong SAR Legco after 1997 will be able to officially operate, hence if a "legal vacuum" emerges it will only be able to solve the problem slowly through the passing of laws. Second, after 1997 whether or not a Legislative Council emerges that will always be in conflict with the central government is a very worrisome question. If this situation should really emerge, not only will there be no way to avoid a "legal vacuum," but there also will be no way to avoid the tremendous effects the emergence of the wide "legal vacuum" will have. [passage omitted]

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